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**CONTENDING WITH CORRUPTION—A  
PRACTICAL GUIDE FOR SPECIAL OPERATORS**

Fish, Seamus K.; Geiger, Eric

Monterey, CA; Naval Postgraduate School

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**NAVAL  
POSTGRADUATE  
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**MONTEREY, CALIFORNIA**

**THESIS**

**CONTENDING WITH CORRUPTION—A PRACTICAL  
GUIDE FOR SPECIAL OPERATORS**

by

Seamus K. Fish and Eric Geiger

December 2019

Thesis Advisor:  
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<b>REPORT DOCUMENTATION PAGE</b>			<i>Form Approved OMB No. 0704-0188</i>
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<b>1. AGENCY USE ONLY (Leave blank)</b>	<b>2. REPORT DATE</b> December 2019	<b>3. REPORT TYPE AND DATES COVERED</b> Master's thesis	
<b>4. TITLE AND SUBTITLE</b> CONTENDING WITH CORRUPTION—A PRACTICAL GUIDE FOR SPECIAL OPERATORS		<b>5. FUNDING NUMBERS</b>	
<b>6. AUTHOR(S)</b> Seamus K. Fish and Eric Geiger			
<b>7. PERFORMING ORGANIZATION NAME(S) AND ADDRESS(ES)</b> Naval Postgraduate School Monterey, CA 93943-5000		<b>8. PERFORMING ORGANIZATION REPORT NUMBER</b>	
<b>9. SPONSORING / MONITORING AGENCY NAME(S) AND ADDRESS(ES)</b> N/A		<b>10. SPONSORING / MONITORING AGENCY REPORT NUMBER</b>	
<b>11. SUPPLEMENTARY NOTES</b> The views expressed in this thesis are those of the author and do not reflect the official policy or position of the Department of Defense or the U.S. Government.			
<b>12a. DISTRIBUTION / AVAILABILITY STATEMENT</b> Approved for public release. Distribution is unlimited.		<b>12b. DISTRIBUTION CODE</b> A	
<b>13. ABSTRACT (maximum 200 words)</b>  U.S. Special Operations Forces (USSOF) are frequently tasked to train, equip, advise, assist and accompany foreign partner forces, particularly in weak and failing states. One of the biggest and often overlooked challenges in implementing these USSOF programs is contending with host nation corruption.  This thesis aims to explore practical tools to counter corruption in operations overseas. Specifically, it develops the Areas of Corruption Vulnerability (ACV) model to investigate best practices in combatting corruption at critical points in time: the initial agreement with the partner, transition and turnover, human resources management, compensation and benefits, and local procurement. It then uses this model to investigate how the Chevron Corporation and the Research Triangle Institute view and combat host nation corruption in their operations. This research finds that both organizations have deployed a wide array of corruption mitigation tools that are useful to USSOF, including automated auditing, local employee benefits that extend beyond base pay, performance reviews that evaluate quality of turnover, and digital identification paired with mobile money.			
<b>14. SUBJECT TERMS</b> corruption, host nation corruption, Special Operations Forces, Research Triangle Institute, Chevron, building partnership capacity		<b>15. NUMBER OF PAGES</b> 97	
		<b>16. PRICE CODE</b>	
<b>17. SECURITY CLASSIFICATION OF REPORT</b> Unclassified	<b>18. SECURITY CLASSIFICATION OF THIS PAGE</b> Unclassified	<b>19. SECURITY CLASSIFICATION OF ABSTRACT</b> Unclassified	<b>20. LIMITATION OF ABSTRACT</b> UU

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**CONTENDING WITH CORRUPTION—A PRACTICAL GUIDE  
FOR SPECIAL OPERATORS**

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**MASTER OF SCIENCE IN DEFENSE ANALYSIS  
(IRREGULAR WARFARE)**

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## **ABSTRACT**

U.S. Special Operations Forces (USSOF) are frequently tasked to train, equip, advise, assist and accompany foreign partner forces, particularly in weak and failing states. One of the biggest and often overlooked challenges in implementing these USSOF programs is contending with host nation corruption.

This thesis aims to explore practical tools to counter corruption in operations overseas. Specifically, it develops the Areas of Corruption Vulnerability (ACV) model to investigate best practices in combatting corruption at critical points in time: the initial agreement with the partner, transition and turnover, human resources management, compensation and benefits, and local procurement. It then uses this model to investigate how the Chevron Corporation and the Research Triangle Institute view and combat host nation corruption in their operations. This research finds that both organizations have deployed a wide array of corruption mitigation tools that are useful to USSOF, including automated auditing, local employee benefits that extend beyond base pay, performance reviews that evaluate quality of turnover, and digital identification paired with mobile money.



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# TABLE OF CONTENTS

<b>I.</b>	<b>INTRODUCTION.....</b>	<b>1</b>
<b>A.</b>	<b>BACKGROUND .....</b>	<b>1</b>
<b>B.</b>	<b>RESEARCH QUESTIONS.....</b>	<b>2</b>
<b>C.</b>	<b>METHODOLOGY .....</b>	<b>2</b>
<b>D.</b>	<b>FINDINGS.....</b>	<b>3</b>
<b>E.</b>	<b>CHAPTER ORGANIZATION.....</b>	<b>4</b>
<b>II.</b>	<b>LITERATURE REVIEW .....</b>	<b>5</b>
<b>A.</b>	<b>INTRODUCTION.....</b>	<b>5</b>
<b>B.</b>	<b>DEFINING CORRUPTION AND ITS DIFFERENT TYPES .....</b>	<b>5</b>
<b>C.</b>	<b>PRACTICAL EFFORTS TO COUNTER CORRUPTION .....</b>	<b>11</b>
	<b>1. MNCs .....</b>	<b>11</b>
	<b>2. NGOs.....</b>	<b>16</b>
	<b>3. U.S. Military .....</b>	<b>18</b>
<b>D.</b>	<b>PROPOSED FRAMEWORK USSOF COUNTER-CORRUPTION GUIDANCE .....</b>	<b>22</b>
	<b>1. The Initial Agreement with the Partner .....</b>	<b>22</b>
	<b>2. Transition and Turnover.....</b>	<b>22</b>
	<b>3. Human Resources .....</b>	<b>23</b>
	<b>4. Compensation and Benefits.....</b>	<b>23</b>
	<b>5. Local Procurement.....</b>	<b>23</b>
<b>E.</b>	<b>AREAS OF CORRUPTION VULNERABILITY .....</b>	<b>24</b>
<b>III.</b>	<b>CHEVRON CORPORATION.....</b>	<b>27</b>
<b>A.</b>	<b>CHEVRON CORPORATION OVERVIEW .....</b>	<b>28</b>
<b>B.</b>	<b>BEST PRACTICES DURING AREAS OF CORRUPTION VULNERABILITY.....</b>	<b>30</b>
	<b>1. Initial Agreement with the Partner .....</b>	<b>31</b>
	<b>2. Transition and Turnover.....</b>	<b>33</b>
	<b>3. Human Resources .....</b>	<b>37</b>
	<b>4. Compensation and Benefits.....</b>	<b>39</b>
	<b>5. Local Procurement.....</b>	<b>40</b>
<b>C.</b>	<b>CONCLUSION .....</b>	<b>43</b>
	<b>1. Initial Agreement with the Partner .....</b>	<b>43</b>
	<b>2. Transition and Turnover.....</b>	<b>44</b>
	<b>3. Human Resources .....</b>	<b>45</b>
	<b>4. Compensation and Benefits.....</b>	<b>45</b>

5.	<b>Local Procurement.....</b>	<b>45</b>
<b>IV.</b>	<b>RESEARCH TRIANGLE INSTITUTE (RTI) .....</b>	<b>47</b>
A.	<b>RESEARCH TRIANGLE INSTITUTE (RTI) OVERVIEW.....</b>	<b>48</b>
B.	<b>BEST PRACTICES DURING AREAS OF CORRUPTION     VULNERABILITY.....</b>	<b>50</b>
1.	<b>Initial Agreement with the Partner .....</b>	<b>51</b>
2.	<b>Transition and Turnover.....</b>	<b>52</b>
3.	<b>Human Resources .....</b>	<b>54</b>
4.	<b>Compensation and Benefits.....</b>	<b>55</b>
5.	<b>Local Procurement.....</b>	<b>58</b>
6.	<b>Additional Tools .....</b>	<b>61</b>
C.	<b>CONCLUSION .....</b>	<b>63</b>
1.	<b>Initial Agreement with the Partner .....</b>	<b>63</b>
2.	<b>Transition and Turnover.....</b>	<b>63</b>
3.	<b>Human Resources .....</b>	<b>64</b>
4.	<b>Compensation and Benefits.....</b>	<b>64</b>
5.	<b>Local Procurement.....</b>	<b>64</b>
6.	<b>Additional Tools .....</b>	<b>64</b>
<b>V.</b>	<b>CONCLUSION .....</b>	<b>65</b>
A.	<b>SUMMARY.....</b>	<b>65</b>
B.	<b>FINDINGS .....</b>	<b>65</b>
C.	<b>IMPLICATIONS FOR USSOF .....</b>	<b>68</b>
1.	<b>Recommendations for Staff Planners.....</b>	<b>68</b>
2.	<b>Recommendations at the Tactical Level .....</b>	<b>68</b>
D.	<b>RECOMMENDED FUTURE RESEARCH.....</b>	<b>72</b>
	<b>LIST OF REFERENCES .....</b>	<b>73</b>
	<b>INITIAL DISTRIBUTION LIST .....</b>	<b>79</b>

## LIST OF FIGURES

Figure 1.	Chevron 2018 Key Upstream Positions.....	30
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## LIST OF TABLES

Table 1.	Common Corruption Terms and Definitions .....	10
Table 2.	Chevron Compensation and Benefits for Employees in Angola .....	40
Table 3.	Best Practices for USSOF to Mitigate Corruption Risk during Partner Force Engagements .....	69

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## **LIST OF ACRONYMS AND ABBREVIATIONS**

ACV	Areas of Corruption Vulnerability
BI	Building Integrity
BPC	Building Partnership Capacity
CEO	Chief Executive Officer
CLA	Collaborating, Learning, and Adapting
CSIS	Center for Strategic International Studies
DOD	Department of Defense
FCPA	Foreign Corrupt Practices Act
FM	Field Manual
GPS	Global Positioning System
IGO	Intergovernmental Organization
JCOA	Joint and Coalition Operational Analysis
JP	Joint Publication
LEAD	Leadership Empowerment Advocacy Development
LEARN	USAID Learning and Knowledge Management Project
MNC	Multinational Corporation
MOU	Memorandum of Understanding
NATO	North Atlantic Treaty Organization
NGO	Non-governmental Organization
OECD	Organization for Economic Cooperation and Development
OEMS	Operational Excellence Management System
PDSS	Pre Deployment Site Survey
PEA	Political Economy Analysis



RTI	Research Triangle Institute
Socal	Standard Oil Company of California
SOF	Special Operations Force
TI	Transparency International
UN	United Nations
USAID	United States Agency for International Development
USSOF	United States Special Operations Force

## ACKNOWLEDGMENTS

This thesis could not have been possible without the dedicated support of our exceptional professors, advisors and families.

Our sincerest thanks to Dr. Heather Gregg for her continued support and dedication to our project. Additionally, thank you Dr. Douglas Borer for your feedback and advice.

Thank you also to the professionals from Chevron and Research Triangle Institute who generously gave their time and engaged with us in open, thoughtful conversation.

Finally, thank you to our ever-supportive families for their love and unwavering support.

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# I. INTRODUCTION

## A. BACKGROUND

A persisting mission for the U.S. military, particularly U.S. Special Operations Forces (USSOF) is Building Partnership Capacity (BPC). Since 2001, the Department of Defense (DOD) has invested billions of dollars in BPC programs, which encompass a “broad set of missions, programs, activities, and authorities intended to improve the ability of other nations to achieve those security-oriented goals they share with the United States.”<sup>1</sup> USSOF is frequently tasked to train, equip, advise, assist and accompany foreign partner forces, “particularly in weak and failing states,” for a range of missions.<sup>2</sup>

One of the biggest and often overlooked challenges with implementing BPC programs is contending with corruption in host nations. Corrupt acts range from questionable recruitment and promotion processes, the existence of “ghost soldiers” (i.e., inflated rosters for the purpose of collecting extra pay), to diverting funds and equipment to illicit causes.<sup>3</sup> As USSOF teams deploy to some of the most austere, remote and underdeveloped locations around the world, it is inevitable that they will encounter some form of corruption. Despite these challenges, USSOF has only thinly considered corruption or discussed strategies for working through it. USSOF forces lack training that would enable tactical advisors or planning staffs to identify and work through various types of corruption for mission success with partner forces.

While USSOF has only addressed corruption in passing, other organizations, such as multi-national corporations (MNCs) and Non-Governmental Organizations (NGOs), have also had to operate in corrupt environments to meet their objectives. Many of these organizations have devised engagement strategies, systems of accountability, and best-

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<sup>1</sup> Kathleen McInnis and Nathan Lucas, “What Is ‘Building Partner Capacity?’ Issues for Congress” (Congressional Research Service, December 18, 2015), 2, <https://fas.org/sgp/crs/natsec/R44313.pdf>.

<sup>2</sup> McInnis and Lucas, 2.

<sup>3</sup> Karolina MacLachlan, “Corruption and Conflict: Hand in Glove,” *NATO Review Magazine*, June 12, 2018, <https://www.nato.int/docu/review/2018/Also-in-2018/corruption-and-conflict-hand-in-glove-nato-defense-security/EN/index.htm>.

practices that help minimize the negative effects of doing business in corrupt environments while keeping their overall mission on track. Investigating how these organizations identify and address corruptions in their operations, therefore, may provide useful insights for USSOF in addressing this problem.

## **B. RESEARCH QUESTIONS**

This thesis aims to investigate the following questions: What is corruption, what causes it, and what are its sub-types? What is the current U.S. military perspective on corruption and what are the guidance and tools available for USSOF operators? Finally, what are the best practices used by organizations outside the military to work through challenges posed by corruption in a host nation country, and are they feasible for USSOF operators?

## **C. METHODOLOGY**

This thesis aims to use several methods to understand different types of corruption USSOF confronts at the tactical and planning levels, the challenges they pose to mission effectiveness, and how to address these challenges.

First, the thesis will examine existing theories and literature that address corruption. Specifically, it will consider how academics and practitioners define corruption, conditions under which corruption exists, different sub-types of corruption, and negative effects of corruption. From this literature review, the thesis defines corruption as: the abuse of entrusted power, for private benefit, including petty or grand crimes, formal or informal violations, knowing or unwitting acts, and regardless of whether benefits are tangible or intangible.

Second, this thesis will draw on its literature review, along with the authors' experiences, to identify when and how USSOF advisory missions are most vulnerable to corruption. From these sources, the thesis will propose an "Areas of Corruption Vulnerability" (ACV) model that aims to highlight specific points where corruption is likely for USSOF. Specifically, this model highlights vulnerability for corruption during

the initial agreement with the partner, executing transition and turnover, managing human resources, dispersing compensation and benefits, and procuring resources locally.

The thesis then uses this model, and the specific questions it generates, to investigate two case studies: an MNC, the Chevron Corporation, and its up-stream operations in developing countries; and an NGO, the Research Triangle Institute (RTI), which conducts development work overseas. These cases draw from existing literature and reports on these organizations along with in-depth interviews with practitioners from Chevron Corporation and RTI to better understand how they view and combat corruption in their fields of operation.<sup>4</sup> These case studies investigate how these organizations successfully account for host nation corruption from the planning levels down to tactical execution, using the ACV model.

The ultimate goal of this research is to provide USSOF tactical advisors and program planners with practical tools and guidance by providing suggestions for mitigating corruption in host nations with corruption challenges.

#### **D. FINDINGS**

This investigation yielded the following findings: First, Chevron and RTI face similar challenges as USSOF in contending with host nation corruption overseas, and both organizations have implemented best practices to mitigate corruption risks. Some of the best practices Chevron employs include instilling a strong code of conduct in its training of local employees; a centralized finance department that can track all expenditures; an automated auditing system that can catch possible incidents of corruption early; leader performance reviews that evaluate quality of turnover; and local employee benefits that extend beyond base pay and provide incentives to follow Chevron's code of conduct. RTI's best practices include drafting explicit formal agreements with the host nation up front; creating robust audit and accountability systems of its programs; hiring local staff that

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<sup>4</sup> This thesis complies with the Naval Postgraduate School's Institutional Review Board on the protection of human subjects, which determined this study to be non-human subject related.

provide buy-in and loyalty to the program; and using digital identification and mobile money payment systems to compensate employees and vendors.

These findings are summarized in the ACV model to provide guidance to assist USSOF tactical advisors and program planners to help mitigate the risk of host nation corruption. At the planning staff level, these tools include structuring initial agreements that ensure anti-corruption compliance; developing automated and transparent payment systems; empowering leaders to report and track corruption-related issues; establishing financial accountability through robust auditing systems; prioritizing program continuity to ensure successful transfer of knowledge to incoming teams; and monitoring local impact on BCP initiatives. Corruption mitigation tools at the tactical advisor level include understanding corruption, including various sub-types, and their potential impact on the mission; holding local partners accountable through regular performance audits; building the right culture during engagements that instill ethical and moral principles among partners; and improving financial accountability through digital payment systems and scrutinizing the procurement of local goods and services. The complete ACV model can be found in the concluding chapter, in Table 3.

## **E. CHAPTER ORGANIZATION**

The thesis proceeds as follows: Chapter II draws from academic and practitioner literature to define corruption and concludes by proposing the ACV model, which highlights Areas of Corruption Vulnerability for USSOF. Chapter III uses this model to examine Chevron Corporation's upstream operations in developing countries, noting specific programs and procedures it has developed to mitigate corruption. Chapter IV uses the ACV model to investigate RTI's overseas humanitarian operations, noting its unique approaches to mitigating corruption in its operations. And Chapter V presents the findings and implications for USSOF.

## II. LITERATURE REVIEW

### A. INTRODUCTION

USSOF deploy throughout the world to unstable areas that tend to have high rates of corruption.<sup>5</sup> In these areas, USSOF are often tasked to work by, with, and through partner forces to procure basic needs like food, water, fuel, sanitation and waste removal services, as well as access to ports of entry. USSOF reliance on the partner force for these and many other basic requirements creates opportunities and incentives for corruption. Given this risk, a study of corruption, its types, and best practices for mitigating corruption during USSOF engagements is needed.

This Chapter lays the groundwork for understanding corruption and how it poses a problem for USSOF teams. The Chapter begins by highlighting academic discussions on corruption with the aim of providing a working definition of the term. The Chapter then explores literature on countering corruption within three sectors: Multinational Corporations (MNCs), Non-Governmental Organizations (NGOs), and the U.S. military. The Chapter will build on these discussions to propose areas of critical concern for deployed USSOF operators, and key questions that will be used to investigate corruption mitigation strategies in subsequent Chapters.

### B. DEFINING CORRUPTION AND ITS DIFFERENT TYPES

Several scholars have published works aimed at defining corruption. One commonly cited definition of corruption comes from professor of political science Michael Johnston, who describes corruption as “the abuse of public roles and resources for private benefit.”<sup>6</sup> However, Johnston is quick to point out that reaching a consensus on corruption

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<sup>5</sup> “Corruption Perceptions Index 2017,” Transparency International, accessed October 21, 2018, [https://www.transparency.org/news/feature/corruption\\_perceptions\\_index\\_2017](https://www.transparency.org/news/feature/corruption_perceptions_index_2017).

<sup>6</sup> Michael Johnston, “The Political Consequences of Corruption a Reassessment,” *Comparative Politics* 18, no. 4 (1986): 460.



requires agreeing on ethical standards which are “shifting, vague and often contradictory.”<sup>7</sup> Anthropologist Lawrence Rosen echoes the cultural relativity of corruption by describing how some Arab cultures view corruption as “the failure to share any largeness you have received with those with whom you have formed ties of dependence.”<sup>8</sup> In other words, what might be construed as corruption in some cultures is an expectation in others. Similarly, Aled Williams, a senior advisor at the U4 Anti-Corruption Resource Center, concurs with Rosen, writing that corruption is “where societal norms about fairness, equity, reasonableness, and the allocation of responsibilities, are considered to have been abused.”<sup>9</sup> Rosen’s and Williams’s description of the complex interplay between societal norms and perceptions of corruption challenges the viability of a one-size-fits-all approach to corruption.

Still others focus on corruption as more than just a government phenomenon. Louise Shelley, professor at George Mason University, suggests that limiting corruption exclusively to the government sector may be unproductive as most developing, communist and former communist countries lack clear boundaries between state officials and private businesses.<sup>10</sup> Organizations like the United States Department of State broaden the definition of corruption to “the abuse of entrusted power for private gain” to include corruption outside the public sector.<sup>11</sup> With both of these definitions, it is important to conceptualize elements of “abuse,” “public/entrusted power,” and “private gain” because

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<sup>7</sup> Johnston, 460.

<sup>8</sup> Lawrence Rosen, “Understanding Corruption,” *The American Interest* (blog), 2010, <https://www.the-american-interest.com/2010/03/01/understanding-corruption/>.

<sup>9</sup> Aled Williams, “Using Corruption Risk Assessment for REDD+: An Introduction for Practitioners,” *U4 Issue 1* (January 2014): 1.

<sup>10</sup> Louise I. Shelley, “Introduction-Corruption,” in *Dirty Entanglements: Corruption, Crime, and Terrorism* (New York, NY: Cambridge University Press, 2014), 12.

<sup>11</sup> “INL Guide to Anticorruption Policy and Programming” (United States Department of State: Bureau of International Narcotics and Law Enforcement Affairs, 2017), 3, <https://2009-2017.state.gov/documents/organization/244730.pdf>.

abuses can range from “favoritism to unethical behavior and criminal activity” and private gain can range from the aggregation of wealth to prestige.<sup>12</sup>

Scholars also focus on the effects of corruption on systems and people. For example, in addition to defining corruption, Johnston groups the majority of these effects into three schools of thought. First, the moralists argue “corruption is harmful to societies and governments, impeding development and eroding the legitimacy of honest elites and well-run institutions.”<sup>13</sup> The second group, the revisionists, highlight the potential upside to corruption, including reduced transaction costs, reduced bureaucracy, opportunity to purchase political access for marginalized groups, and the production of “*de facto* policies that are more effective than those emerging from legitimate channels.”<sup>14</sup> Finally, Johnston identifies a third and more nuanced group of scholars, who argue that the “consequences of corruption depend...upon the characteristics of the political systems...levels of economic development, national integration, and governmental capacity, or upon the relationships among key factions and elites” as contributing factors to corruption.<sup>15</sup> Johnston’s three groups are useful when considering how to design anti-corruption strategies, which may prioritize some forms of corruption as more damaging than others.

Similarly, several scholars attempt to identify different levels of corruption. For example, economics professor Arvind Jain distinguishes between two forms of corruption: “benign” and “political/grand” corruption. A low-level official demanding small payment for services that would otherwise be the right of a citizen would be an example of benign corruption. “Grand” corruption, by contrast, occurs on the largest scale, such as a dictator taking control of a country’s expenditures to maximize personal wealth, also known as a kleptocracy.<sup>16</sup> Transparency International, which monitors and measures corruption around the world, also uses these terms and defines “petty corruption” as the “everyday

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<sup>12</sup> “INL Guide to Anticorruption Policy and Programming,” 3.

<sup>13</sup> Johnston, “The Political Consequences of Corruption a Reassessment,” 459.

<sup>14</sup> Johnston, “The Political Consequences of Corruption a Reassessment,” 459.

<sup>15</sup> Johnston, “The Political Consequences of Corruption a Reassessment,” 459.

<sup>16</sup> Arvind Jain, “Corruption: Theory, Evidence and Policy,” *Concordia University*, 2011.

abuse of entrusted power by public officials in their interactions with ordinary citizens, who often are trying to access basic goods or services in places like hospitals, schools, police departments and other agencies,” whereas “grand corruption” is the “abuse of high-level power that benefits the few at the expense of the many, and causes serious and widespread harm to individuals and society.”<sup>17</sup> In some cases, both petty and grand corruption can exist simultaneously and be vertically integrated.<sup>18</sup> A simple example of this is a street cop collecting bribes due to pressure from managers, who also owe payments to senior officials.<sup>19</sup>

Journalist and former special advisor to the Chairman of the Joint Chief of Staff, Sarah Chayes, challenges the idea of a clear distinction between benign or petty and grand corruption, illustrating how seemingly insignificant acts of corruption can potentially contribute to “grand” movements like violent extremism. For example, Chayes references the “bureaucratic kleptocracy” in Tunisia, where corruption is not only at the higher levels of government, but also found at middle and lower-levels, which the government often ignores.<sup>20</sup> She contends that corruption creates popular dissent against the government, which could bolster an insurgency and other efforts to overthrow a regime. Chayes also points to the “post-Soviet kleptocratic autocracy” of Uzbekistan, where widespread perceptions of corruption have led to popular discontent, which in turn has helped fuel violent movements.<sup>21</sup> Similarly, terrorism, organized crime, and corruption researcher, Louise Shelley echoes Chayes’ observations about corruption and its effects on uprisings. She ties corruption to:

The root of instability in many parts of the world, such as in Syria and Iraq, in intractable conflicts in Africa, or in the increasingly difficult to inhabit megacities of the world. But the impact of illicit trade and pernicious and

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<sup>17</sup> “Anti-Corruption Glossary,” Transparency International, n.d., <https://www.transparency.org/glossary>.

<sup>18</sup> “INL Guide to Anticorruption Policy and Programming,” 3.

<sup>19</sup> “INL Guide to Anticorruption Policy and Programming,” 3.

<sup>20</sup> Sarah Chayes, *Thieves of State: Why Corruption Threatens Global Security* (WW Norton and Company, 2015), 97.

<sup>21</sup> Chayes, 115.

pervasive corruption affects us all: undermining the fabric of our societies, depleting the planet's limited resources and contributing to the extinction of endangered species.<sup>22</sup>

The U.S. Department of State Bureau of International Narcotics and Law Enforcement Affairs also stresses the importance of addressing corruption for countering violent extremist organizations.<sup>23</sup> These observations challenge the existence of “benign” or harmless forms of corruption. In other words, even seemingly insignificant forms of corruption, over time, can potentially divide a population, and contribute to dissent, instability, crime, and even violent extremism.

In addition to theoretical distinctions between petty and grand corruption, scholars and practitioners have further parsed out different types of corruption based on a variety of factors. In a 2015 Naval Postgraduate School thesis, Special Forces Soldiers Brian Revell and Ryan-Ross Nemeth identify four types of corruption (crisis, nepotism, patronage, and market) and the roles they have played in Afghanistan and Iraq over time.<sup>24</sup> This research provides valuable insight into the risks of corruption in state stability in both the short and long term and highlights efforts of other military practitioners to address corruption in conflict-prone and unstable countries.

In 1993, Transparency International was created as a non-partisan, independent organization to work with governments, businesses, and civil society to “put effective measures in place to tackle corruption.”<sup>25</sup> TI maintains a detailed glossary of “Forms of

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<sup>22</sup> Louise Shelley, “New Security Challenge: The Growth of Illicit Trade and Corruption,” NATO Review, 2017, <http://www.nato.int/docu/review/2017/Also-in-2017/new-security-challenge-the-growth-of-illicit-trade-and-corruption-world/EN/index.htm>.

<sup>23</sup> “INL Guide to Anticorruption Policy and Programming,” 5.

<sup>24</sup> Brian Revell and Ryan-Ross Nemeth, “The Road Not Taken: Addressing Corruption during Stability Operations” (Naval Postgraduate School, 2015), [https://calhoun.nps.edu/bitstream/handle/10945/45929/15Jun\\_Revell\\_Nemeth.pdf?sequence=1&isAllowed=y](https://calhoun.nps.edu/bitstream/handle/10945/45929/15Jun_Revell_Nemeth.pdf?sequence=1&isAllowed=y).

<sup>25</sup> “Our Organization: Overview,” Transparency International, 2018, <https://www.transparency.org/whoweare/organisation>.

Corruption” that includes a total of 60 definitions in all.<sup>26</sup> Ten terms that may apply to the USSOF environment specifically are listed in Table 1.

Table 1. Common Corruption Terms and Definitions<sup>27</sup>

Type	Definition
<b>Bribery</b>	The offering, promising, giving, accepting or soliciting of an advantage as an inducement for an action which is illegal, unethical or a breach of trust. Inducements can take the form of gifts, loans, fees, rewards or other advantages (taxes, services, donations, [favors] etc.)
<b>Collusion</b>	A secret agreement between parties, in the public and/or private sector, to conspire to commit actions aimed to deceive or commit fraud with the objective of illicit financial gain. The parties involved often are referred to as ‘cartels.
<b>Embezzlement</b>	When a person holding office in an institution, organization or company dishonestly and illegally appropriates, uses or traffics the funds and goods they have been entrusted with for personal enrichment or other activities.
<b>Extortion</b>	Act of [utilizing], either directly or indirectly, one’s access to a position of power or knowledge to demand unmerited cooperation or compensation as a result of coercive threats.
<b>Fraud</b>	To cheat. The [offense] of intentionally deceiving someone in order to gain an unfair or illegal advantage (financial, political or otherwise). Countries consider such offences to be criminal or a violation of civil law.
<b>Nepotism</b>	Form of [favoritism] based on acquaintances and familiar relationships whereby someone in an official position exploits his or her power and authority to provide a job or [favor] to a family member or friend, even though he or she may not be qualified or deserving.
<b>Patronage</b>	Form of [favoritism] in which a person is selected, regardless of qualifications or entitlement, for a job or government benefit because of affiliations or connections.
<b>Politically Exposed Persons</b>	Politically Exposed Persons are individuals who hold or held a prominent public function, such as the head of state or government, senior politicians, senior government, judicial or military officials, senior executives of state-owned corporations, or important political party officials. The term often includes their relatives and close associates. Banks and other financial institutions are supposed to treat these clients as high-risk, applying enhanced due diligence at both the start of the relationship and on an ongoing basis, including at the end of a relationship to ensure that the money in their bank account is not the proceeds of crime or corruption.

<sup>26</sup> “Anti-Corruption Glossary.”

<sup>27</sup> “Anti-Corruption Glossary.” The authors pulled definitions from the anti-corruption glossary web page by selecting different forms of corruption and copying their definitions, which came from subsequent web pages within the glossary.

Type	Definition
<b>Petty / Grand Corruption</b>	Petty corruption is the everyday abuse of entrusted power by public officials in their interactions with ordinary citizens, who often are trying to access basic goods or services in places like hospitals, schools, police departments and other agencies. Grand corruption is abuse of high-level power that benefits the few at the expense of the many, and causes serious and widespread harm to individuals and society.
<b>Solicitation</b>	The act of a person asking, ordering or enticing someone else to commit bribery or another crime.

This list serves two important functions: first, knowing the correct terms will help USSOF report specific types of corruption to higher headquarters; second, identifying the subtype of corruption will help with countering these specific actions.

Drawing from this discussion, this thesis will use the following definition of corruption: the abuse of entrusted power, for private benefit, including: petty or grand crimes, formal or informal violations, knowing or unwitting acts, and regardless of whether benefits are tangible or intangible. Finally, corruption needs to be framed within the context of local societal norms about fairness, equity, reasonableness, and the allocation of responsibilities.

### C. PRACTICAL EFFORTS TO COUNTER CORRUPTION

Multinational Corporations (MNC), Non-Governmental Organizations (NGO), and the U.S. military all operate globally and often in countries with considerable corruption. Each of these sectors, therefore, provides useful insights into the types of corruption they face, and to how they address corruption.

#### 1. MNCs

MNCs are defined as firms that own and operate subsidiaries in more than one country.<sup>28</sup> Some of these subsidiaries operate in business environments where bribes,

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<sup>28</sup> Brian Roach, "Corporate Power in a Global Economy," Instructional Module (Medford, MA: Tufts University Global Development and Environment Institute, 2007), [http://www.ase.tufts.edu/gdae/education\\_materials/modules/Corporate\\_Power\\_in\\_a\\_Global\\_Economy.pdf](http://www.ase.tufts.edu/gdae/education_materials/modules/Corporate_Power_in_a_Global_Economy.pdf).

kickbacks, and false or unrecorded transactions are common.<sup>29</sup> Taking a strong stance against corruption is challenged by several factors. First, indulging in corrupt practices includes benefits such as faster permits and less interference from government officials.<sup>30</sup> Second, some companies perceive the cost of corruption as low due to weak laws and poor enforcement, resulting in a low prospect of prosecution.<sup>31</sup> Finally, business leaders may view themselves as the “victims of endemic corruption rather than its perpetrators.”<sup>32</sup>

In a 2011 survey, Transparency International asked over 3,000 business executives from around the world on the extent to which they engage in bribery when doing business abroad.<sup>33</sup> The survey found that public works contracts and construction; utility services; real estate, legal and business services; and oil and gas had the highest rates of perceived corruption.<sup>34</sup> These sectors all require high-value investments and significant interactions with local governments, both of which provide opportunities for corruption.<sup>35</sup>

The 2011 survey also queried executives on the prevalence of three forms of corruption in different sectors: petty, grand, and private. The survey defines grand corruption as “improper contributions to high-ranking politicians to achieve influence,” whereas petty corruption includes bribes paid to low-level officials to secure or expedite the performance of a routine action.<sup>36</sup> Private corruption refers to bribes paid from one

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<sup>29</sup> Stephen Clayton, “Top Ten Basics of Foreign Corrupt Practices Act Compliance for the Small Legal Department,” Association of Corporate Counsel, June 1, 2011, <https://www.acc.com/resource-library/top-ten-basics-foreign-corrupt-practices-act-compliance-small-legal-department#>.

<sup>30</sup> S. Ramakrishna Velamuri, William S. Harvey, and S. Venkataraman, “Being an Ethical Business in a Corrupt Environment,” *Harvard Business Review*, March 23, 2017, 1, <https://hbr.org/2017/03/being-an-ethical-business-in-a-corrupt-environment>.

<sup>31</sup> Velamuri, Harvey, and Venkataraman, 1.

<sup>32</sup> Velamuri, Harvey, and Venkataraman, 1.

<sup>33</sup> Deborah Hardoon and Finn Heinrich, “Bribe Payers Index 2011” (Berlin, Germany: Transparency International, 2011), 4, [https://issuu.com/transparencyinternational/docs/bribe\\_payers\\_index\\_2011?mode=window&backgroundColor=%23222222](https://issuu.com/transparencyinternational/docs/bribe_payers_index_2011?mode=window&backgroundColor=%23222222).

<sup>34</sup> Hardoon and Heinrich, 14.

<sup>35</sup> Hardoon and Heinrich, 14.

<sup>36</sup> Hardoon and Heinrich, 19.

private firm to another in order to secure business and stifle competition.<sup>37</sup> According to the survey, the perceived likelihood of private-to-private bribery was almost as high as bribery of public officials across all sectors.<sup>38</sup>

Despite the strong perceptions of corruption, MNCs face considerable laws and regulations designed to curb illegal transactions overseas. Several key international conventions like the Organization for Economic Cooperation and Development (OECD) Anti-Bribery Convention, United Nations (UN) Conventional against Corruption, and the Council of Europe’s Criminal Law Convention on Corruption have required member states to take preventative measures and criminalize a range of corrupt acts.<sup>39</sup> Aside from basic forms of corruption such as bribery and embezzlement of public funds, other criminal acts include trading in influence, laundering of corruption proceeds, and obstructing justice in support of corruption.<sup>40</sup> However, many countries have struggled to transpose these international legal frameworks into national laws that are effectively enforced.<sup>41</sup>

All MNCs with ties to the United States are subject to the Foreign Corrupt Practices Act (FCPA), a law passed in 1977 that “prohibits U.S. firms and individuals from paying bribes to foreign officials in furtherance of a business deal.”<sup>42</sup> The FCPA applies to conduct anywhere in the world, including third-party agents, consultants, distributors, joint-venture partners, and others.<sup>43</sup> In addition to paying bribes, the FCPA requires companies to “maintain accurate books and records and have a system of internal controls sufficient to...provide reasonable assurances that transactions are executed and assets are

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<sup>37</sup> Hardoon and Heinrich, 19.

<sup>38</sup> Hardoon and Heinrich, 19.

<sup>39</sup> Hardoon and Heinrich, 9.

<sup>40</sup> “UN Convention against Corruption Convention Highlights,” UNDOC United Nations Office on Drugs and Crime, 2019, 3, <https://www.unodc.org/unodc/en/corruption/convention-highlights.html>.

<sup>41</sup> Hardoon and Heinrich, “Bribe Payers Index 2011,” 9.

<sup>42</sup> Will Kenton, “Foreign Corrupt Practices Act,” Investopedia, 2018, <https://www.investopedia.com/terms/f/foreign-corrupt-practices-act.asp>.

<sup>43</sup> “Spotlight on Foreign Corrupt Practices Act,” U.S. Securities and Exchange Commission, n.d., <https://www.sec.gov/spotlight/foreign-corrupt-practices-act.shtml>.



accessed and accounted for in accordance with management’s authorization.”<sup>44</sup> FCPA enforcement is a high priority for the U.S. Securities and Exchange Commission, and MNCs are sanctioned by the Department of Justice every year for violations of anti-bribery or accounting provisions of the FCPA.<sup>45</sup> For example, in 2019, Walmart was charged with failing to operate a sufficient anti-corruption compliance program for over a decade, allowing subsidiaries in Brazil, China, India, and Mexico to make payments to foreign government officials through third-party intermediaries.<sup>46</sup> Walmart’s failure to sufficiently investigate and mitigate corruption risks resulted in a \$282 million settlement.<sup>47</sup>

In addition to regulations, researchers have published strategies for businesses in environments with entrenched corruption. In a landmark study, professor of management at Ateneo de Manila University, Martin Roberto offers four main approaches for businesses operating in a corrupt market.<sup>48</sup> In the first strategy, firms work to gain political influence in a country, lobbying with other firms to change regulatory rules and reduce overall corruption. In the second strategy, firms in countries lacking strong regulation steer clear of local politics while establishing “self-regulating industry associations” effectively shifting regulatory power from politicians to local businesses. In the third strategy, firms in countries that have strong centralized governments with strong regulation enforcement are encouraged to work directly with the government, network with powerful officials, launch joint ventures with local firms, and promote corporate social responsibility to influence political decision makers. In the final strategy, firms in recently war-torn nations and emerging economies risk breaking anticorruption laws and reputational damage in order to gain a foothold. In these cases, Roberto recommends accepting bureaucratic delays with the objective of slowly gaining political influence.

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<sup>44</sup> “Spotlight on Foreign Corrupt Practices Act.”

<sup>45</sup> “Spotlight on Foreign Corrupt Practices Act.”

<sup>46</sup> “Walmart Charged With FCPA Violations,” Press Release, 2019, <https://www.sec.gov/news/press-release/2019-102>.

<sup>47</sup> “Walmart Charged With FCPA Violations.”

<sup>48</sup> Galang Roberto, “Doing Business in Corrupt Places,” *Strategy and Business*, March 2011, <https://www.strategy-business.com/article/re00141?gko=96656>.

In another study, professors Ramakrishna Velamuri from the China Europe International Business School, William Harvey from the University of Exeter Business School, and S. Venkataraman from the University of Virginia show how maintaining high ethical standards in environments with widespread corruption can be an opportunity to demonstrate ethical conduct.<sup>49</sup> Specifically, in business environments where ethical behavior is scarce, customers and investors will often hold companies with ethical practices in higher regard.<sup>50</sup> The authors also stress stakeholder engagement as a practical strategy for companies to resist corruption. First, the ethical behavior needs to be framed in a way that targets a wide audience of stakeholders. The authors cite Ibrahim Abouleish, the founder of Egyptian company Sekem, who discovered that appealing to larger goals such as “nation-building” or “leaving a better country for the next generation” were effective way to justify his company’s commitments to anticorruption.<sup>51</sup>

The authors also recommend sorting all stakeholders into four groups based on their “likely response to an organization’s ethical behavior”: indifferent, pragmatic, absentee or ethical.<sup>52</sup> The authors’ research suggests that pragmatic, absentee, and ethical stakeholders should be prioritized. Furthermore, after a firm shows ethical leadership, many seemingly indifferent stakeholders may become more ethical and new potential partners may emerge. Finally, the authors suggest that “reputation borrowing,” or strategically building partnerships with “high status individuals and organizations” with ethical reputations, may help spread an organization’s reputation.<sup>53</sup>

Given the considerable research and regulations on reducing corruption in the business worlds, drawing from best practices of MNCs in counter-corruption efforts may be useful for devising strategies for the U.S. military to reduce corruption abroad.

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<sup>49</sup> Velamuri, Harvey, and Venkataraman, “Being an Ethical Business in a Corrupt Environment,” 2.

<sup>50</sup> Velamuri, Harvey, and Venkataraman, 2.

<sup>51</sup> Velamuri, Harvey, and Venkataraman, 2.

<sup>52</sup> Velamuri, Harvey, and Venkataraman, 3.

<sup>53</sup> Velamuri, Harvey, and Venkataraman, 4.

## 2. NGOs

Like MNCs, NGOs also need to manage corruption while operating globally in developing countries. Richard Holloway, the developer of the *NGO Corruption Fighters' Resource Book*, summarizes the challenges of NGOs and corruption:

For NGOs, corruption is not simply the re-organizing of government so that it works more efficiently and increases the likelihood of attracting greater investment – they see corruption as a social cancer that impoverishes and disempowers the poor, increases social and economic polarity, destroys the social fabric, damages democracy, and institutionalizes inequities and malpractice so that any chance of escaping from such systems and structures becomes decreasingly possible.<sup>54</sup>

Similarly, Jerome Larche, with over 30 years working in the humanitarian field, argues that humanitarian actors need to be aware of corruption and work to mitigate its effects if they want to achieve operational efficiency and accountability with their stakeholders.<sup>55</sup> He further argues that, as of 2010, spending on humanitarian aid reached nearly \$17 billion, creating the potential for corrupt actors to thrive if they are not properly managed.<sup>56</sup>

A useful example of the types of corruption that NGOs face in the field comes from Sri Lanka following the 2004 tsunami that decimated several coastal areas. Samir Elhawary, a research officer with the Humanitarian Policy Group, and M.M.M. Aheeyar, a research associate, investigated the challenges NGOs faced during humanitarian response and civilian displacement in 2005.<sup>57</sup> The study outlines several challenges that NGOs faced, including the vast amount of humanitarian assistance sent to Sri Lanka after the 2004 tsunami to an environment already highly corrupt, and lack of preparedness for NGOs to

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<sup>54</sup> Richard Holloway, “NGO Corruption Fighters’ Resource Book: How NGOs Can Use Monitoring and Advocacy to Fight Corruption,” 2011, 12.

<sup>55</sup> Jerome Larche, “Corruption in the NGO World: What It Is and How to Tackle It,” *Humanitarian Exchange* 52 (2011): 36, <https://odihpn.org/magazine/corruption-in-the-ngo-world-what-it-is-and-how-to-tackle-it/>.

<sup>56</sup> Larche, 37.

<sup>57</sup> Samir Elhawary and M.M.M. Aheeyar, “Beneficiary Perceptions of Corruption in Humanitarian Assistance: A Sri Lanka Case Study,” *Humanitarian Policy Group*, 2008.

manage large sums of money and resources. This environment led to one report indicating that \$1 billion was unaccounted for in the years following the tsunami.<sup>58</sup> Furthermore, government authorities used the political patronage system to divert resources to population centers that supported them. Additionally, some citizens reported that bribery was rampant throughout the aid process.<sup>59</sup> The study concludes by providing possible recommendations for NGOs as they work through corruption during a humanitarian response, including “establishing procedures to verify authenticity and legitimacy of partners and contractors,” “increasing the monitoring of government return processes,” and “monitoring the distribution process of food.”<sup>60</sup>

TI has developed several tools for NGOs to manage corruption, including a guide titled “Anti-Bribery Principles and Guidance for NGOs,” which discusses risks associated with corruption, possible ways to mitigate the effects of corruption on operations, and the legal ramifications for NGOs that are complicit in corrupt acts.<sup>61</sup> In a section discussing mitigation strategies, for example, the handbook recommends zero-tolerance messaging and anti-bribery clauses in agreements with partners and third-party vendors.<sup>62</sup>

In response to the damaging effects of corruption during humanitarian crises, TI created the handbook “Preventing Corruption in Humanitarian Operations.”<sup>63</sup> The handbook is designed to “help anyone working in the humanitarian sector identify and prevent the corruption risks faced by their particular organization or department, or within a specific programme or role.”<sup>64</sup> The handbook highlights scenarios such as “sex for food,” a corrupt act faced by refugees in West Africa in 2001, to give practitioners a context for

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<sup>58</sup> Elhawary and Aheeyar, 9.

<sup>59</sup> Elhawary and Aheeyar, 10.

<sup>60</sup> Elhawary and Aheeyar, 19.

<sup>61</sup> “Anti-Bribery Principles and Guidance for NGOs,” Transparency International UK, June 2011, <https://www.transparency.org.uk/publications/anti-bribery-principles-and-guidance-for-ngos/>.

<sup>62</sup> “Anti-Bribery Principles and Guidance for NGOs,” 13.

<sup>63</sup> “Preventing Corruption in Humanitarian Operations,” Transparency International, 2010, [https://issuu.com/transparencyinternational/docs/humanitarian\\_handbook\\_cd\\_version/1](https://issuu.com/transparencyinternational/docs/humanitarian_handbook_cd_version/1).

<sup>64</sup> “Preventing Corruption in Humanitarian Operations,” VIII.

various forms of corruption they may encounter.<sup>65</sup> The handbook further details how specific practices such as transparency, inter-agency coordination, and communication with media can be effective strategies for NGOs as they operate in corrupt locations worldwide.

Finally, NGOs themselves can become a source of corruption. Richard Holloway identifies two forms of corrupt NGOs; those who are knowingly corrupt, and those who practice corruption with “good intentions.”<sup>66</sup> Those who are knowingly corrupt are typically run by personnel who understand how the donor system works and can con it to their benefit. Holloway identifies that these types of NGOs should be monitored and policed by other NGOs to keep the legitimate ones reputable.<sup>67</sup> NGOs that are corrupt, but with good intentions, are typically more difficult to detect. These NGOs engage in acts such as “cooking the books,” or over-ordering supplies, double-funding projects or changing the use of budgeting lines. While these acts may have good intentions, such as keeping their organizations prosperous, it is a slippery slope that is exacerbated while they work among corrupt countries and partners.<sup>68</sup> Both types of corrupt NGOs can have difficulty countering corruption in a host nation.

### **3. U.S. Military**

The U.S. military deploys to other countries around the world for a variety of reasons, ranging from peacekeeping to combat operations. Like MNCs and NGOs, the U.S. military also face various forms of corruption while deployed abroad.

The U.S. military addresses corruption in its doctrine in only a few instances. First, Joint Publication 3-07 “Joint Stability Functions” attempts to address corrupt partners by pointing to United States Agency for International Development’s (USAID) “Anti-

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<sup>65</sup> “Preventing Corruption in Humanitarian Operations,” 4.

<sup>66</sup> Holloway, “NGO Corruption Fighters’ Resource Book: How NGOs Can Use Monitoring and Advocacy to Fight Corruption,” 23.

<sup>67</sup> Holloway, 23.

<sup>68</sup> Holloway, 23.

corruption Assessment Handbook” as a valuable tool for assessing corruption. Specifically, the handbook provides a framework for assessing corruption and developing anti-corruption strategies, as well as recommendations that include creating anti-corruption advisors to assist in all levels of military planning.<sup>69</sup> Furthermore, JP 3-07 mentions how “the military authority should not dismiss corrupt officials before considering the effect of their prestige and influence, as well as the availability of ethical and competent replacements.”<sup>70</sup> While doctrine does note the importance of corruption, it does little to offer practical advice for the tactical advisor on how to address it or operate among it.

Field Manual (FM) 3-18: “Special Forces Operations,” a manual designed specifically for Army Special Forces, also provides limited guidance on countering corruption. The FM outlines how Special Forces need to conduct “regional orientation” before a deployment, which should include building an understanding of “the political, military, economic, social, infrastructure, information, and physical environment systems within that region and how these systems affect military operations.”<sup>71</sup> While FM 3-18 stresses the importance of understanding how host nation systems function, it does not focus specifically on corruption. An emphasis on corruption could assist in developing training that includes various means to identify and mitigate corruption and its effects.

The U.S. Army and Marine Corps Counterinsurgency Manual, FM 3-24, is also frequently referenced by USSOF planners and operators for guidance on building partnership capacity, which is often a place where corruption can occur. FM 3-24 identifies that corruption can lead to multiple problems within a host nation. For example, “corruption in government development programs can cause resentment by the aggrieved group. Corruption can lead to loss of host-nation legitimacy and can undermine government control of an area.”<sup>72</sup> However, despite recognizing the problems caused by

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<sup>69</sup> Joint Chiefs of Staff, *Joint Stability Functions*, JP 3-07 (Joint Chiefs of Staff, 2014), III-49.

<sup>70</sup> Joint Chiefs of Staff, *Joint Stability Functions*, III-65

<sup>71</sup> Department of the Army, *Special Forces Operations*, FM 3-18 (Washington, DC: Department of the Army, 2014), 4-25.

<sup>72</sup> Department of the Army, *Counterinsurgency*, FM 3-24 (Washington, DC: Department of the Army, 2006), 4-4.

corruption, FM 3-24 does not provide practical guidance for ground forces confronting corruption in their operations.<sup>73</sup>

The U.S. military also works through partners and Intergovernmental Organizations (IGO) to assess and counter corruption. Starting in 2007, North Atlantic Treaty Organization (NATO) initiated the Building Integrity (BI) Program—a capacity-building program specifically designed to reduce the risk of corruption in the defense and security sector by helping nations strengthen integrity, accountability, and transparency.<sup>74</sup> NATO BI highlights “countries with unresolved territorial disputes or frozen conflicts” as a particular area within defense where corruption risks and vulnerabilities are particularly high.<sup>75</sup> Specifically, NATO BI attributes “increased military expenditures, reduced transparency, the creation of legal ‘grey zones’ and the existence of unregulated paramilitary formations” as principal factors that increase corruption risks for security forces.<sup>76</sup>

More recently, the war in Afghanistan has compelled the U.S. military to better understand the causes of corruption and how to combat it or work through it. For example, the Joint and Coalition Operational Analysis (JCOA), developed a report in 2014 that discusses several preconditions for combating corruption in war-torn states, including establishing security, developing political will, and involving the public in the fight against corruption.<sup>77</sup> Additionally, the JCOA emphasized the need to understand corruption within the operating environment. This precondition highlights the military’s understanding that

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<sup>73</sup> Department of the Army, *Counterinsurgency*, 4–4.

<sup>74</sup> “What Is BI?,” NATO Building Integrity: Integrity, Transparency and Accountability in the Defense and Security Sector, 2019, <https://buildingintegrity.hq.nato.int/BI.aspx>.

<sup>75</sup> Anne-Christine Wegener and Mark Pyman, *Building Integrity and Reducing Corruption in Defense, A Compendium of Best Practices*, Original Edition (Geneva: Geneva Center for Democratic Control of Armed Forces, 2010).

<sup>76</sup> Wegener and Pyman, 148.

<sup>77</sup> Alix J Boucher et al., “Mapping and Fighting Corruption in War-Torn States,” 2007, X; “Operationalizing Counter/Anti-Corruption Study” (Joint and Coalition Operational Analysis, February 28, 2014), 14.

corruption is complex, and the operational context matters for successfully countering corruption in an area of operation.

Furthermore, the JCOA offers several recommendations to advance the military's fight against corruption and suggests that "the Services should train their personnel to recognize and address corruption in an operational environment."<sup>78</sup> This recommendation aligns with the recommendations of Carl Forsberg and Tim Sullivan, who have served on the International Security Assistance Force counter-corruption task force. They argue: "In anticipation of future missions of similar complexity, it will be essential to integrate the lessons emerging from the counter corruption experience in Afghanistan into U.S. forces' training, doctrine, and leadership development. Efforts and studies have built a framework on which strategic and operational commanders can discuss corruption."<sup>79</sup>

Additionally, the war in Afghanistan has led to the development of joint, interagency, and military organizations to combat corruption and increase effectiveness during stabilization efforts. The Rule of Law Advisory Team, for example, includes over 90 military members, contractors, and Department of Defense civilians. The structure of this organization is important to note because it incorporates multiple partners, legal groups, intelligence, and others to synchronize efforts against corruption. While this organization does incorporate strategic and operational level partners, it lacks engagement with tactical units, including SOF, which could aid in operational and strategic planning.

In sum, current U.S. and NATO military doctrine provide minimal guidance on identifying, categorizing and addressing corruption, specifically at the tactical level. Additionally, although the war in Afghanistan has highlighted the importance of addressing corruption at all levels of operations, few specific recommendations have been codified that could be implemented by troops on the ground. Clearly, the U.S. military needs more practical tools for addressing this challenge.

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<sup>78</sup> "Operationalizing Counter/Anti-Corruption Study," 39.

<sup>79</sup> Carl Forsberg and Tim Sullivan, "Criminal Patronage Networks and the Struggle to Rebuild the Afghan State," *PRISM*, May 2016, 33.



## **D. PROPOSED FRAMEWORK USSOF COUNTER-CORRUPTION GUIDANCE**

Similar to MNCs and NGOs, USSOF teams are particularly vulnerable to knowingly or unknowingly participating in corrupt activities at specific times and during specific events. Some examples include the initial agreement with the partner force, transitions and turnovers, human resources, compensation and benefits, and local procurement.<sup>80</sup> Each of these Areas of Corruption Vulnerability (ACV) are further explained below.

### **1. The Initial Agreement with the Partner**

Effectively setting up the initial agreement with a partner force is critical because it sets conditions, expectations, and boundaries for the duration of an engagement. While this is not typically the job of a USSOF tactical advisor, the effects of the initial contract can have lasting effects on the engagement team. If the initial agreement is not well established, or loopholes exist, a corrupt partner force can begin exploiting the engagement team through corrupt acts. This can include a partner force changing terms of an agreement, refusing to adjust mission requirements to specific needs and using leverage and extortion to negatively influence the USSOF team. This thesis aims to investigate the conditions under which the initial contracts with a partner force is established, considerations for both formal and informal agreements, and ways to enforce initial agreements.

### **2. Transition and Turnover**

Many USSOF engagements are persistent, meaning that they endure beyond the timespan of just one rotation. During persistent operations, USSOF teams are particularly vulnerable to corrupt partner force acts during the transition period between teams, especially when a new team is comprised of members who do not know the location or the actors. Under these conditions, the partner force has the advantage of exploiting USSOF turnover procedures and gaps in knowledge management. USSOF teams typically mitigate

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<sup>80</sup> This list of instances was created based on the authors' combined 18 years of experience conducting on the ground military operations in 10 countries in both Africa and the Middle East.

this issue through a Pre-Deployment Site Survey (PDSS), when the leadership flies out to a location to meet key leaders, makes tentative plans for the upcoming deployment, and learns how current operations are run. However, PDSS do not always happen and, when they do occur, the process rarely focuses on potential areas of corruption, such as partner force salaries or fuel procurement, which provide opportunities for the partner force to exploit this lack of knowledge. This thesis aims to gather how to best manage this critical transition period and to identify and mitigate potential areas of corruption.

### **3. Human Resources**

USSOF management of the partner force from a human resources perspective can be very challenging. For example, a partner force soldier may be promoted to a position of greater responsibility based solely on family ties. Understanding how other organizations measure partner performance, mentor junior partners for higher positions of responsibility, and the conditions under which individuals are removed from organizations could help USSOF mitigate corruption and put the best personnel in charge, particularly when operating in a culture heavily influenced by nepotism and patronage systems.

### **4. Compensation and Benefits**

Typically, USSOF teams pay salaries in cash because host nations often lack adequate banking systems, they have a cash-driven economy, or because it is easier and faster. Payment in cash, however, comes with high risks for corruption. For example, if a partner force has 80 soldiers on their payroll, they may try to inflate those numbers and create “ghost soldiers” to acquire more pay. Verifying names and identities of individual soldiers can be a challenge for USSOF because personal identification is often difficult to acquire. Identifying workers and paying salaries, therefore, is another point where corruption is likely and this thesis aims to identify best practices for managing payments to reduce incidents of corruption.

### **5. Local Procurement**

In addition to paying salaries, resource distribution and management can lead to incidents of corruption for USSOF. For example, fuel is often a valuable resource that can

be resold for personal profit. Also, sensitive items such as night vision devices or weapons need to be carefully monitored to prevent these resources from becoming opportunities for corruption. While USSOF teams typically have supply accountability systems in place, other systems may exist that are more effective for preventing corruption. Mitigating the risk of corruption during supply procurement, sustainment, or distribution can decrease instances of fraud, waste, and abuse.

This thesis will use the ACV model to explore how MNCs and NGOs mitigate corruption. Using each of these main areas of concern as starting points, this thesis hopes to gain insights into how Research Triangle Institute (RTI), a U.S. based non-profit NGO, and Chevron, a U.S. based for-profit petroleum corporation, mitigate corruption during these key situations. Specifically, this thesis will pose the following questions in interviews with employees at both companies:<sup>81</sup>

#### **E. AREAS OF CORRUPTION VULNERABILITY**

1. The initial agreement with the partner
  - a. Is the agreement formal or informal?
  - b. How is the contract binding?
  - c. Who is the contract with specifically?
  - d. What is the duration of the project?
  - e. Do anti-corruption clauses exist within the agreement?
2. Transition and turnover
  - f. What is the frequency of team turnover?
  - g. During persisting projects, how long do personnel overlap as teams and managers rotate in and out of a country?

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<sup>81</sup> This thesis was determined to be non-human subject related research by the Naval Postgraduate School's Institutional Review Board on April 15, 2019.

- h. Is there a knowledge management system, and what makes it effective?
3. Human resources
- i. What is the hiring or termination process for a partner?
  - j. How is training conducted?
  - k. How is talent retained?
  - l. What is the U.S. employee to partner personnel ratio?
  - m. What are desirable qualities of U.S. personnel (cultural expertise, language, finance, contracting, etc.)?
4. Compensation and benefits
- n. How is the compensation of a partner managed?
  - o. What are the effective types of compensation (cash, salary, fuel, etc.)?
  - p. Are additional benefits offered (healthcare, education, etc.)?
5. Local procurement
- q. How is the supply distribution conducted?
  - r. What inspection and warehousing procedures are used?
  - s. How are sensitive items accounted for (special equipment, high value objects)?
  - t. How are resources procured locally (materials, parts, fuel)?
  - u. What supply practices work best when working in a corrupt area where bribery and extortion are present?
  - v. What is the overall supply chain management structure?

The next chapter will provide an overview of the U.S.-based MNC Chevron, including the history of Chevron, its mission, where it operates, and how it works to reduce corruption when engaged with partner nations and communities abroad.

### III. CHEVRON CORPORATION

Increasing global energy demands have driven the search for new oil and gas discoveries around the globe. One source claims that a projected 90 percent of oil and gas production will come from developing countries over the next 20 years.<sup>82</sup> Oil and gas ventures in developing countries involve significant amounts of capital in the forms of license fees, royalties, dividends, taxes and support for local communities.<sup>83</sup> This combination of high inputs of capital and countries with underdeveloped regulations and institutions creates the opportunity for corruption. Studying how international oil corporations identify, address and mitigate corruption is therefore useful for a wider study on how USSOF can combat corruption in its areas of operation.

This Chapter provides an overview of efforts made by Chevron Corporation—one of the biggest oil and gas companies in the world—to mitigate corruption in its international operations.<sup>84</sup> The Chapter begins with a brief overview of Chevron Corporation and its mission. The Chapter then draws on interviews with two subject matter experts from Chevron using the five specific areas of concern identified in Chapter II: drafting the initial agreement, enacting the transition and turnover, managing human resources, providing compensation, and managing supply of goods and equipment. The final section offers concluding remarks.

Overall, this Chapter finds that Chevron not only faces similar corruption challenges to USSOF, but has implemented useful practices in its international ventures to mitigate corruption risks, including strong codes of conduct, a centralized finance department, automated auditing systems, leader performance reviews that evaluate quality

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<sup>82</sup> Transparency International, “Corruption by Topic--Oil and Gas,” 2018, [https://www.transparency.org/topic/detail/oil\\_and\\_gas](https://www.transparency.org/topic/detail/oil_and_gas).

<sup>83</sup> Barbara Kowalczyk-Hoyer, “Promoting Revenue Transparency, 2011 Report on Oil and Gas Companies” (Transparency International, 2011), 5.

<sup>84</sup> “The World’s Biggest Oil and Gas Companies,” Offshore Technology, March 19, 2019, <https://www.offshore-technology.com/features/largest-oil-and-gas-companies-in-2018/>.

of turnover, and local employee benefits that extend beyond base pay and provides incentives to follow Chevron's code of conduct.

#### **A. CHEVRON CORPORATION OVERVIEW**

Chevron's roots can be traced back to the 1870s, when two petroleum pioneers founded the Standard Oil Company of California (Socal). Following World War I, Socal began pursuing oil and gas reserves outside of the United States after the war depleted its crude oil supplies.<sup>85</sup> After making its first international discovery in Bahrain in 1932, Socal emerged as a major international oil marketer and refiner with operations spanning 60 countries, following World War II.<sup>86</sup> During this time, the company frequently devoted more than two-thirds of its annual expenditure to exploration and development in order to satisfy the growing need for petroleum products.<sup>87</sup> At the turn of the twenty first century, international exploration opportunities began to shrink and, as former Chief Executive Officer (CEO) of Chevron David J. O'Reilly stated, "the era of easy oil is over."<sup>88</sup> Chevron has subsequently shifted its emphasis towards international projects that are capital intensive and highly technical while enhancing its position as a leading global energy provider.<sup>89</sup> Currently, Chevron is the second-largest integrated energy company and one of the largest corporations in the world.<sup>90</sup> Employing 48,600 employees and active in over 180 countries, Chevron generated \$158.9 billion in revenue in 2018 and is projected to invest \$20 billion in capital and exploratory expenditures in 2019.<sup>91</sup>

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<sup>85</sup> Chevron Corporation, "History, See Where We've Been and Where We're Going," 2019, <https://www.chevron.com/about/history>.

<sup>86</sup> Chevron Corporation.

<sup>87</sup> Chevron Corporation.

<sup>88</sup> Chevron Corporation.

<sup>89</sup> Chevron Corporation.

<sup>90</sup> "Corporate Fact Sheet" (Chevron, 2019), <https://www.chevron.com/-/media/shared-media/documents/corporatefactsheet.pdf>.

<sup>91</sup> "Corporate Fact Sheet."

Chevron Corporation divides its operations into three major categories, what it calls “upstream,” “midstream” and “downstream.” The upstream division “finds, develops and produces oil and gas resources efficiently.”<sup>92</sup> The midstream division “provides safe and reliable infrastructure and services, ensuring the safe movement of our finished products.”<sup>93</sup> The downstream and chemicals division “drives earnings across the value chain and grows our chemical and lubricants portfolios.”<sup>94</sup> This Chapter specifically draws from best practices within Chevron Corporation’s upstream operations.

Chevron’s international upstream operations alone accounted for 68 percent of its total earnings in 2018.<sup>95</sup> An overview of Chevron’s key positions (see Figure 1) illustrates that Chevron has a presence in many countries that struggle with corruption. Cross-referencing some of Chevron’s key positions against Transparency International’s Corruption Perception Index reveals that Chevron regularly operates in countries that are fraught with public sector corruption. Countries like Kazakhstan, Nigeria, Angola, Venezuela, and Iraq all scored poorly in the 2018 Corruption Perception Index.<sup>96</sup>

Chevron’s upstream division’s strategy focuses on “expanding cash and earnings margins by reducing operating costs... increasing the reliability of facilities, and completing major capital projects under construction.”<sup>97</sup> Chevron also operates closely with local communities within the countries it operates. In 2018, over 90 percent of Chevron employees worked in their home countries.<sup>98</sup> In addition to hiring local employees, Chevron spent \$25.1 billion in 2018 on total goods and services, purchasing

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<sup>92</sup> Corporate Affairs and Comptroller’s Departments, Chevron Corporation, “2018 Annual Report” (San Ramon, CA: Chevron Corporation, 2019), 2.

<sup>93</sup> Corporate Affairs and Comptroller’s Departments, Chevron Corporation, 2.

<sup>94</sup> Corporate Affairs and Comptroller’s Departments, Chevron Corporation, 2.

<sup>95</sup> Corporate Affairs and Comptroller’s Departments, Chevron Corporation, 28.

<sup>96</sup> “2018 Corruption Perception Index Full Dataset” (Transparency International, January 29, 2019), <https://www.transparency.org/cpi2018#press-release>.

<sup>97</sup> “Climate Change Resilience-- a Framework for Decision Making” (San Ramon, CA: Chevron Corporation, March 2018), 26.

<sup>98</sup> “Building Local Capacity,” Chevron Corporation, Corporate Responsibility, 2019, <https://www.chevron.com/corporate-responsibility/creating-prosperity/building-local-capacity>.



much of it through local companies based in the host country.<sup>99</sup> As will be described, Chevron’s upstream division’s focus on expanding earnings and efficiency in developing countries requires the corporation to develop best practices that can effectively mitigate host nation corruption. Chevron’s upstream footprint in 2018 is depicted in Figure 1.

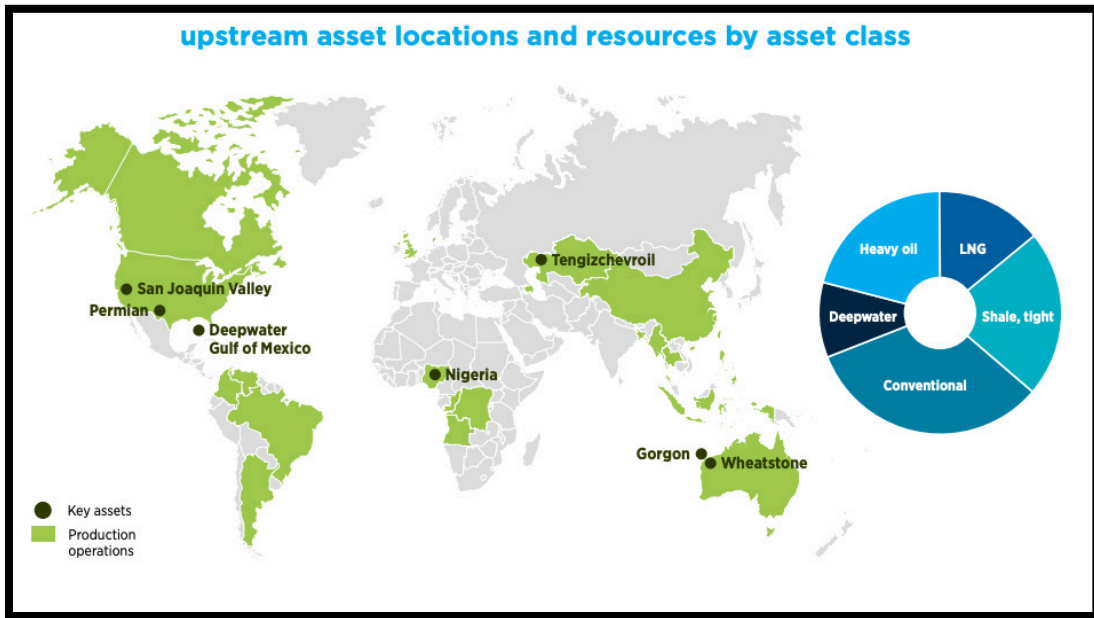


Figure 1. Chevron 2018 Key Upstream Positions<sup>100</sup>

## B. BEST PRACTICES DURING AREAS OF CORRUPTION VULNERABILITY

Chapter II identified five ACV with host nation partners: the initial agreement, the transition and turnover period, the management of human resources, providing compensation, and local procurement host nations. This chapter explores how Chevron addresses these events through reports, articles and two interviews with subject matter experts within the corporation with the aim of providing additional insights into best practices for mitigating corruption in the five ACV.

<sup>99</sup> “2018 Corporate Responsibility Reports Highlights” (San Ramon, CA: Chevron Corporation, 2019), 17.

<sup>100</sup> “Climate Change Resilience-- a Framework for Decision Making,” 26.

## 1. Initial Agreement with the Partner

Subject matter expert A at Chevron described that, typically, Chevron begins oil or gas exploration through an initial bid with a country's government that includes the size of an investment and potential bonuses.<sup>101</sup> These bids are often, but not always, conducted in an open "auction" forum in which sealed bids are submitted to the host nation government.<sup>102</sup> Other times the bid is negotiated directly with the host nation's government.<sup>103</sup> Whether public or private, bids typically occur in countries where the local government does not have the capacity to conduct their own oil or gas exploration.<sup>104</sup> Expert A further noted that Chevron's expertise and technical capabilities gives it an advantage to enter a market in countries that lack their own capabilities to conduct oil and gas exploration. Additionally, even if an area is not technically challenging, Chevron's size allows it to conduct oil or gas extraction more efficiently than smaller companies.<sup>105</sup>

Expert A noted that most countries understand the opportunities of working with a multinational corporation like Chevron. Some of these long-term benefits include gaining royalties and tax revenue from operations. The expert further noted that governments and partnering companies understand that these long-term opportunities are greater than those presented from conducting simple, corrupt acts against the company. Overall, the expert stressed the importance of emphasizing that long-term gains over the short-term pay off of kickbacks or other corruption schemes is important for successful operations in developing countries.

Expert A also noted how, in some cases, a host nation's immigration laws can make it difficult to have expatriate workers (individuals that are not citizens of that country) hold a significant percentage of key positions in the administration of international projects.

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<sup>101</sup> Chevron Subject Matter Expert A, telephone interview, October 7, 2019.

<sup>102</sup> Chevron Subject Matter Expert A.

<sup>103</sup> Chevron Subject Matter Expert A.

<sup>104</sup> Chevron Subject Matter Expert A.

<sup>105</sup> Chevron Subject Matter Expert A.

“National content requirements,” generated by governments, mandate that national employees hold certain key positions, making it difficult for Chevron to have non-locals remain for the duration of a project.<sup>106</sup> The expert noted that one reason for host nations insisting on a high number of local employees is to ensure that the country develops the capability to conduct oil or gas extraction itself, and these staffing requirements are one mechanism for aiding in that long-term goal. The expert noted that the host nation’s decision to have its people trained and employed, even if it is much costlier, is not necessarily a corruption issue in itself. Rather, the expert identified national content requirements as a political decision made by the government and that Chevron would work with that government to meet their goal.

Chevron also leverages provisions within contractual arrangements to mitigate corruption issues. Subject matter expert B stressed that agreements with providers of goods and services should be as simple and clear as possible, specifying performance and compliance obligations along with record-keeping and audit provisions as important practices for ensuring contractual arrangements are met and for mitigating against corruption.<sup>107</sup> The expert also identified four critical aspects of the initial agreements to be considered:

- (1) Capability and Compliance Representations, Due Diligence: Local vendors should confirm that they are able to provide the specified goods or services without violating any applicable law. Reasonable due diligence should be performed to confirm the validity of this promise before entering into and continuing to pay the vendor.
- (2) Performance Specification: Agreements should specify who will perform what, where, and when. Payment should be structured to incentivize continued performance, with payments due upon achievement of specified milestones, delivery of specified goods, and completion of specified work. The corporation could use bonus payments to encourage extra effort or innovation to achieve superior results.
- (3) Records and Audits: Local vendors should be required to document their performance and payments, including payments to employees or

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<sup>106</sup> Chevron Subject Matter Expert A.

<sup>107</sup> Chevron Subject Matter Expert B, telephone interview, October 18, 2019.

subcontractors, with records or other documentation available for inspection upon request. Continuing payment should be conditioned upon performance of record-keeping and complying with inspections.

- (4) Termination and Dispute Resolution: Agreements should provide for the corporation's right to suspend or terminate a contract for a breach of performance or compliance. Disputes over performance or compliance should be referred to a mutually respected third party for resolution if possible. However, the most reliable guarantee of performance is retaining payments.<sup>108</sup>

Overall, Chevron works to mitigate corruption during the initial agreement stage by ensuring the host nation understands that long-term gains outweigh short-term benefits of corrupt acts. Additionally, Chevron project managers understand that a country may insist on local hires because they want to take ownership of a project, not necessarily because the host country is looking to exploit the company. Finally, Chevron maintains key provisions within agreements to include placing the burden on the local partner to represent that they can provide services without breaking the law, documenting their performance, and making documents available for inspection upon request. Key provisions in the text of the agreement should include structured payments to incentivize continued performance, the right to suspend or terminate a contract, and a mutually respected third party for dispute resolution.

## **2. Transition and Turnover**

Expert A noted the importance of a strong code of conduct as a means of reducing corruption.<sup>109</sup> First, a code of conduct is used to ensure project turnover occurs smoothly between new and previous leaders. The expert also noted that, the longer the duration of a project, the stronger the code of conduct needs to be to ensure the project remains on track and that incoming personnel can rely on continuity. Chevron's code of conduct holds employees accountable, regardless of their location, for conducting business ethically.<sup>110</sup>

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<sup>108</sup> Chevron Subject Matter Expert B.

<sup>109</sup> Chevron Subject Matter Expert A, telephone interview.

<sup>110</sup> Mike Wirth, "Chevron Business Conduct and Ethics Code," *Chevron*, 2018, 31.

The code of conduct specifically outlines Chevron’s policy on bribery, fraud and conflicts of interest.<sup>111</sup> The code also includes frequently asked questions and scenarios, and provides a hotline for employees who do not feel comfortable discussing an issue with a supervisor or local management.<sup>112</sup> Finally, Chevron conducts in-person training to reinforce the ethical code of conduct with employees.<sup>113</sup>

Expert B identified that continuity of performance requires effective reporting and records systems.<sup>114</sup> Leaders and teams are expected to maintain transferable records of key contacts, agreements, and activities.<sup>115</sup> Updated contact lists, including key authorities, stakeholders, contractors and consultants are maintained, transferred, and used as a guide for introducing new leaders and team members.<sup>116</sup> Leaders also make copies and summaries of key agreements, along with records of payments, performance progress and audit results that include key contacts and their status.<sup>117</sup> Incoming leaders are given copies of recent activity reports for review and discussion before and during transitions.<sup>118</sup>

Expert B also noted that performance objectives and plans for new assignments includes a successful transition both at the beginning and end of assignments. He noted, in particular, that sufficient time should be allocated for incoming leaders to review past activity reports and study records of key agreements. Furthermore, outgoing leaders and team members should be given sufficient time to organize and refresh records. Overlapping leaders and team members to discuss ongoing activities and conduct introductions to key contacts is also important for creating a smooth transition and reducing the likelihood that

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<sup>111</sup> Wirth, 15.

<sup>112</sup> Wirth, 5.

<sup>113</sup> Chevron Subject Matter Expert A, telephone interview.

<sup>114</sup> Chevron Subject Matter Expert B, telephone interview.

<sup>115</sup> Chevron Subject Matter Expert B.

<sup>116</sup> Chevron Subject Matter Expert B.

<sup>117</sup> Chevron Subject Matter Expert B.

<sup>118</sup> Chevron Subject Matter Expert B.

corruption can occur.<sup>119</sup> Performance evaluations should address the quality of record-keeping, best practices in transferring knowledge and key relationships for incoming leaders and teams.<sup>120</sup>

Expert A identified that in many ways, Chevron's finance department works as the centralized knowledge management system.<sup>121</sup> Specifically, the finance department's accounting and auditing functions effectively creates a record of purchases and distributed funds. In order to operate, Chevron needs a source of electricity, some level of communication, and enough stability to effectively conduct a project.<sup>122</sup> With these requirements, Chevron has the capability to connect to a central financial system and conduct regular audits.<sup>123</sup> In turn, centralized finance promotes anti-corruption mechanisms because it is not possible to withdraw funds from Chevron without the finance department's oversight.<sup>124</sup> While it may be possible for small, singular instances of corruption to occur, over time Chevron's system and its frequent checks can identify problems, which the company can then rectify.<sup>125</sup> The expert also noted how transferring money electronically helps reduce the risks that paper money typically incurs. Overall, leveraging big data, artificial intelligence, and machine learning by linking multiple automated payment databases can help identify financial anomalies for follow-on investigations.<sup>126</sup> For example, if a procurement employee purchases an item at an inflated price or from a family member, and that item sits in a warehouse for several months, the automated system will note this anomaly to supervisors.<sup>127</sup>

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<sup>120</sup> Chevron Subject Matter Expert B, telephone interview.

<sup>121</sup> Chevron Subject Matter Expert A, telephone interview.

<sup>122</sup> Chevron Subject Matter Expert A.

<sup>123</sup> Chevron Subject Matter Expert A.

<sup>124</sup> Chevron Subject Matter Expert A.

<sup>125</sup> Chevron Subject Matter Expert A.

<sup>126</sup> Chevron Subject Matter Expert A.

<sup>127</sup> Chevron Subject Matter Expert A.

Chevron also uses the Operational Excellence Management System (OEMS) to mitigate corruption. The OEMS is Chevron’s system for identifying, assessing, prioritizing and managing risks.<sup>128</sup> The system holds leaders accountable for high-consequence events by expecting leaders to understand the risks, articulate mitigating safeguards, and “assure that safeguards are in place and functioning.”<sup>129</sup> The OEMS identifies six focus areas in particular: workforce safety and health; process safety, reliability and integrity; environment; efficiency; security; and stakeholders.<sup>130</sup> Within the stakeholder focus area, leaders are expected to “manage social, political and reputational risks to the company” and “address potential business impacts” in three ways.<sup>131</sup> First, leaders are expected to identify, assess and prioritize issues. Second, leaders are expected to build and maintain relationships with external stakeholders, including governments and the communities where they operate. And finally, leaders are expected to execute issue management and stakeholder engagement plans while “systematically tracking engagements and issues, and validating effectiveness of plans.”<sup>132</sup> Chevron also explicitly identifies partners and third-party operators as an area that requires special attention by leaders to systematically manage Chevron’s interests.<sup>133</sup>

Chevron mitigates corruption risks that can arise during personnel turnover in several ways. A strong code of conduct not only holds current employees to a standard but allows incoming leaders during a transition to trust that outgoing leaders upheld company standards, as previously discussed. A centralized finance system using electronic payments ensures the company maintains detailed records of all transactions. Additionally,

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<sup>128</sup> “Operational Excellence Management System, an Overview for Chevron Leaders and OE Practitioners” (San Ramon, CA: Chevron Corporation, n.d.), 3.

<sup>129</sup> “Operational Excellence Management System, an Overview for Chevron Leaders and OE Practitioners,” 1.

<sup>130</sup> “Operational Excellence Management System, an Overview for Chevron Leaders and OE Practitioners,” 6.

<sup>131</sup> “Operational Excellence Management System, an Overview for Chevron Leaders and OE Practitioners,” 11.

<sup>132</sup> “Operational Excellence Management System, an Overview for Chevron Leaders and OE Practitioners,” 11.

<sup>133</sup> “Operational Excellence Management System, an Overview for Chevron Leaders and OE Practitioners,” 11.

incorporating automated digital and artificial intelligence into finance system will aid in detecting anomalies and prompt investigations into potential corruption. Leaders and team members are also tasked to establish effective reporting and records systems that maintain transferable records of key contacts, agreements and activities. The quality of record-keeping and success in transferring knowledge and key relationships to incoming leaders and teams is also reflected in performance evaluations for leaders and team members. Finally, the OEMS gives leaders a framework for identifying and reporting corruption as an operational risks and tasks the leader on the ground to establish safeguards to manage corruption related risks.

### **3. Human Resources**

Chevron has created practices in human resources that instill the corporation's values and mitigate corruption. Chevron trains its leaders and team members in U.S., international, and local laws applicable to their activities in assigned jurisdictions, as well as organizational policies and procedures.<sup>134</sup> Reference materials and subject matter experts are also made available for consultation regarding questions or unforeseen complications.<sup>135</sup> As legal or policy rules may not always be clearly and unambiguously applicable in specific situations, leaders and team members at Chevron are expected to ensure that their own actions and contractual arrangements comport with ethical principles and are in the best interests of their organization and country.<sup>136</sup>

In order to address ambiguous situations, expert A revealed that Chevron reinforces the importance of teaching “the Chevron Way.” The Chevron Way instills the company's beliefs, goals and establishes a common understand for all employees.<sup>137</sup> The Chevron Way highlights the importance of respecting the law and human rights to benefit

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<sup>134</sup> Chevron Subject Matter Expert B, telephone interview.

<sup>135</sup> Chevron Subject Matter Expert B.

<sup>136</sup> Chevron Subject Matter Expert B.

<sup>137</sup> “The Chevron Way” (Chevron, n.d.), <https://www.chevron.com/-/media/shared-media/documents/The-Chevron-Way.pdf>.



communities where Chevron works.<sup>138</sup> Incorporating the Chevron Way into training can help empower employees to refuse requests for bribes or payoffs as they meet with partners.<sup>139</sup>

Expert A also noted the importance of understanding a host nation's culture before framing a corruption issue.<sup>140</sup> For example, in a country like Nigeria, where there is a high level of corruption, it is important to understand that some individuals may owe a higher duty of loyalty to their family than to a corporation like Chevron.<sup>141</sup> The expert identified that most local employees do not identify themselves as "thieves," but if they can get access to benefits, they may share them with their family, and that this is doing the "right thing" for their family. One way Chevron bridges the gap between an employee's loyalty to their family and to the corporation is by paying individuals a competitive living wage and making the job externally desirable.<sup>142</sup> By providing workers with competitive salaries, the risk of losing their job from engaging in corrupt acts such as bribery or theft does not outweigh the benefit of continuing to work for Chevron. Additionally, Chevron tries to teach employees about the company's values in hopes that, over time, employees adopt these values and want to do business the "Chevron Way, thereby creating an environment with higher levels of trust among supervisors and workers."<sup>143</sup> Overall, the expert stressed that, understanding the local cultural context is critical before diagnosing a corruption problem and employing mitigation strategies.

Expert A noted that having a significant number of expatriates in key positions is not always important for success in a country.<sup>144</sup> More importantly, in finance positions, purchasing positions, or any others in which money is incorporated, an individual needs to

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<sup>138</sup> "The Chevron Way."

<sup>139</sup> Chevron Subject Matter Expert A, telephone interview.

<sup>140</sup> Chevron Subject Matter Expert A.

<sup>141</sup> Chevron Subject Matter Expert A.

<sup>142</sup> Chevron Subject Matter Expert A.

<sup>143</sup> Chevron Subject Matter Expert A.

<sup>144</sup> Chevron Subject Matter Expert A.

be someone the company trusts.<sup>145</sup> Typically, that trust is built over time to be certain that he or she is trustworthy. This does not mean the individual needs to be an expatriate, or even an American. The key position can be held by a local as long as that individual has built a foundation of trust within the company.<sup>146</sup>

Additionally, training for personnel and processes should be altered according to the dynamics within a country.<sup>147</sup> For example, how many signatures are needed or audits required may be elevated in countries where there is a low rule of law or a high corruption.<sup>148</sup> Expert A noted that Chevron looks at how many acts of compliance it needs to put in place based on corruption or rule of law indexes.<sup>149</sup> These indexes provide a baseline for the corporation that helps Chevron enact appropriate policies in a given region and reduce corruption.

Overall, training in policy, access to both reference materials and subject matter experts are foundational for leaders and team members at Chevron. Additionally, instilling a strong ethical foundation among employees is important to mitigate risks of corruption. Key positions that work with finances or purchasing should be filled by individuals the company trusts; this relationship takes time to establish. Additionally, processes should consider corruption indexes for a region, rather than be standardized regardless of the area in which the company operates.

#### **4. Compensation and Benefits**

Chevron develops compensation and benefits programs that are extensive and “competitive within local labor markets.”<sup>150</sup> For example, compensation and benefits programs for employees in Angola include a competitive base pay, allowances for family,

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<sup>145</sup> Chevron Subject Matter Expert A.

<sup>146</sup> Chevron Subject Matter Expert A.

<sup>147</sup> Chevron Subject Matter Expert A.

<sup>148</sup> Chevron Subject Matter Expert A.

<sup>149</sup> Chevron Subject Matter Expert A.

<sup>150</sup> “Careers,” Chevron Global, 2019, <https://angola.chevron.com/en/work-with-us/careers>.

holidays and housing, and retirement and educational benefits. Table 2 includes the full range of benefits offered to employees in Angola.

Table 2. Chevron Compensation and Benefits for Employees in Angola<sup>151</sup>

Competitive base pay	Annual incentive awards when the company meets its established goals	Family allowance
Vacation allowance	Christmas allowance / food parcel	Life and disability insurance
Housing loan assistance	Retirement and savings plan	Medical assistance to the employee and immediate family members
Educational assistance / Scholarships for employees' children	Situational allowances –for example, offshore allowance, isolation allowance, shift allowance, lunch allowance etc.	Service Award

As stated in section two, Chevron asserts that a wide range in benefits dissuades workers from engaging in corrupt acts.<sup>152</sup>

## 5. Local Procurement

As Chevron operates globally, it is required to procure goods and services from a variety of international and locally owned businesses.<sup>153</sup> Chevron identifies its supply chain as one of the most “powerful” tools for creating local prosperity as it operates in local communities.<sup>154</sup> Chevron encourages partnerships between major international suppliers and local businesses that gives communities access to new technology, international

<sup>151</sup> Adapted From “Careers.”

<sup>152</sup> Chevron Subject Matter Expert A, telephone interview.

<sup>153</sup> “Suppliers,” Chevron Global, 2019, <https://angola.chevron.com/en/work-with-us/suppliers>.

<sup>154</sup> “Suppliers.”

standards, and provides training for local employees.<sup>155</sup> For example, in Kazakhstan, the Chevron-led Tengizchevroil joint-venture focuses heavily on local procurement.<sup>156</sup> The project has spent over \$5.6 billion locally, resulting in over 400 Kazakhstani companies becoming involved in the project.<sup>157</sup>

Expert A revealed how most problems with supply occur when dealing with local customs personnel on small-scale projects, where employees are anxious to get equipment or supplies imported.<sup>158</sup> “Facilitation payments,” or a payment made to further a routine government action for non-digressionary acts, are not considered bribery according to the FCPA.<sup>159</sup> However, Chevron does not permit this type of activity as a means of mitigating corruption.<sup>160</sup> One challenge for Chevron is that other international competitors may not have to abide by the same laws and they are able to engage in practices that do not align with Chevron’s standards.<sup>161</sup> Nevertheless, Chevron holds fast to following regimented standards when procuring goods through local companies.

Chevron is currently working on harnessing big data, artificial intelligence, and machine learning to try to minimize cash transactions and thus reduce the risk of corruption.<sup>162</sup> Expert A identified that, by incorporating these types of processes into the local supply chain, it is more difficult for personnel to be involved in corrupt practices because computers can identify anomalies within systems. For instance, if a purchase is

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<sup>155</sup> “The Chevron Way.”

<sup>156</sup> “Promoting Responsible Supply Chain Management,” Chevron, 2019, <https://www.chevron.com/corporate-responsibility/creating-prosperity/supply-chain-management>.

<sup>157</sup> “Promoting Responsible Supply Chain Management.”

<sup>158</sup> Chevron Subject Matter Expert A, telephone interview.

<sup>159</sup> “A Resource Guide to the FCPA U.S. Foreign Corrupt Practices Act” (Criminal Division of the U.S. Department of Justice and the Enforcement Division of the U.S. Securities and Exchange Commission, 2012), 25, <https://www.justice.gov/sites/default/files/criminal-fraud/legacy/2015/01/16/guide.pdf>.

<sup>160</sup> Chevron Subject Matter Expert A, telephone interview.

<sup>161</sup> Chevron Subject Matter Expert A.

<sup>162</sup> Chevron Subject Matter Expert A.

made for an item, and an inflated price is paid for the item, the company can look into the anomaly and work to prevent such instances from reoccurring in the future.<sup>163</sup>

In addition to automated systems, Chevron has thresholds for purchases depending on the product or service.<sup>164</sup> Chevron operates under the assumption that, the more signatures required for a purchase, the more difficult it is for a scam to occur.<sup>165</sup> Expert A noted that at least two people need to sign off on a purchase, and while problems can still occur, the chances that both employees are willing to put their jobs on the line by committing a corrupt act is less likely.

A particular challenge for Chevron is the purchase of goods or services that do not have a listed or expected price.<sup>166</sup> Procuring services in particular, such as a legal service, is hard to monitor, especially if an employee from the local company is involved in the procurement.<sup>167</sup> In these circumstances, detecting fraudulent activity is difficult and it is hard to know if a price was inflated for that service due to an agreement between the local employee and the service provider.<sup>168</sup>

Chevron also works to monitor the local impact of their operations by partnering with independent research and analysis firms.<sup>169</sup> These firms evaluate the direct and indirect impact of Chevron's spending and supply chain management systems.<sup>170</sup> For example, independent firms assessed that Chevron had a "positive economic ripple effect" in Angola by creating nearly 79,000 jobs and generating \$2.67 billion in government

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<sup>163</sup> Chevron Subject Matter Expert A.

<sup>164</sup> Chevron Subject Matter Expert A.

<sup>165</sup> Chevron Subject Matter Expert A.

<sup>166</sup> Chevron Subject Matter Expert A.

<sup>167</sup> Chevron Subject Matter Expert A.

<sup>168</sup> Chevron Subject Matter Expert A.

<sup>169</sup> "Chevron Creating Prosperity and Growth in Angola," Chevron Global, 2019, <https://www.chevron.com/stories/creating-prosperity-in-angola>.

<sup>170</sup> "Chevron Creating Prosperity and Growth in Angola."

revenue from 2010 to 2016.<sup>171</sup> Additionally, 5.8 percent of Angola’s gross domestic product can be attributed to Chevron’s spending and investment, and \$2.16 billion was spent on local Angolan suppliers during the same time frame.<sup>172</sup> This “positive ripple effect” helps improve the livelihood of the local Angolan community, thus showing Chevron’s overall benefit to citizens of a country.<sup>173</sup>

Overall, Chevron is adopting automated, digital systems to help mitigate corruption during local supply procurement. Streamlined systems can identify anomalies and the company can develop safeguards to prevent exploitation. Multiple signatories for procurement of goods and services is an additional safeguard to mitigate corruption. Finally, hiring firms that are external to Chevron that assess its economic impacts to a region help the corporation identify any negative effects, such as increased corruption among local leaders, from the company’s operations.

## **C. CONCLUSION**

Chevron regularly conducts business in some of the most challenging and corrupt environments in the world. Chevron and its leaders have employed a variety of best practices to mitigate the risks of corruption while working with host nation partners. Notably, these practices include:

### **1. Initial Agreement with the Partner**

- Understand national content requirements and long-term goals of the host nation
- Ensure the host nation understands that long-term gains outweigh short-term benefits of corrupt acts

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<sup>171</sup> “Chevron Creating Prosperity and Growth in Angola.”

<sup>172</sup> “Chevron Creating Prosperity and Growth in Angola.”

<sup>173</sup> “Chevron Creating Prosperity and Growth in Angola.”

- Require local partners to demonstrate that they can provide services without breaking the law, document their performance, and make documents available for inspection upon request
- Structure payments to incentivize continued performance, the right to suspend or terminate a contract, and identify a mutually respected third party for dispute resolution

## **2. Transition and Turnover**

- Reinforce ethical, moral, and legal obligations for employees through training
- Utilize the Centralized Finance Department as a knowledge management system
- Establish an automated anomaly detection system for financial transactions
- Incorporate an OEMS for leaders to assess, prioritize and manage corruption risks
- Task leaders and team members to establish effective reporting and records systems that maintain transferable records of key contacts, agreements, and activities
- Allocate sufficient time during transitions in order for outgoing teams to organize and refresh records, incoming teams to review and study records, and overlapping teams to discuss ongoing activities and make introductions to key contacts
- Evaluate leaders and team members in performance evaluations on the quality of record-keeping, success in transferring knowledge and key relationships to incoming leaders and teams

### **3. Human Resources**

- Conduct and instill company ethics training (“The Chevron Way”) to build a foundation resistant to corruption risks
- Build trusting relationships among employees, specifically employing trusted employees in positions dealing with finance
- Manage competing loyalties among local employees, such as between the company and their families

### **4. Compensation and Benefits**

- Incorporate electronic transfers to reduce the risk of corruption that occurs during cash transactions
- Extend benefits beyond cash payments to dissuade workers from engaging in corrupt acts

### **5. Local Procurement**

- Embrace local procurement, which can have a major impact on local economies and build trust within a community
- Pay special attention to locally procured services to ensure that the right price is paid
- Hire independent research firms to review local procurement and conduct third party economic impact assessments

The next chapter will examine RTI, a U.S. nonprofit, and its efforts to mitigate corruption in its international development projects.



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## IV. RESEARCH TRIANGLE INSTITUTE (RTI)

NGOs face many of the same problems with corruption that USSOF do, and they have played a critical role in understanding and developing practical solutions for mitigating these risks. Richard Holloway, for example, notes that, before 1990, practitioners rarely addressed corruption when discussing the social, political, and economic situations of a country. However, today's efforts to better understand and combat corruption is due in large part to recent efforts by NGOs like TI, which have worked to channel popular dissatisfaction caused by corruption around the world.<sup>174</sup> Furthermore, NGOs have played a significant role in addressing corruption both directly, through anti-corruption programs, and indirectly by developing and spreading best practices in anti-corruption.

This Chapter provides an overview of the efforts made by RTI—one of USAID's top nonprofit vendors—to mitigate corruption in international development projects.<sup>175</sup> The Chapter begins with a brief overview of RTI and its mission. Building on Chapter II, the Chapter then draws from interviews with a subject-matter expert inside RTI to glean best practices in managing overseas projects and avoiding corruption, specifically using five specific areas of concern identified in Chapter II: drafting the initial agreement, enacting the transition and turnover, managing human resources, providing compensation, and managing local procurement. The final section offers concluding remarks.

Overall, this chapter finds that RTI not only faces similar corruption challenges to USSOF, but has implemented innovative practices in their international development programs to mitigate corruption risks. These practices include explicit formal agreements with the host nation, robust audit and accountability systems, local staff hires, and digital identification and mobile money payment systems.

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<sup>174</sup> Holloway, "NGO Corruption Fighters' Resource Book: How NGOs Can Use Monitoring and Advocacy to Fight Corruption," 11.

<sup>175</sup> United States Agency for International Development, "Top 40 Vendors," May 7, 2019, <https://www.usaid.gov/results-and-data/budget-spending/top-40-vendors>.

## A. RESEARCH TRIANGLE INSTITUTE (RTI) OVERVIEW

RTI is an independent, nonprofit research institute founded in 1958, headquartered in Durham, North Carolina at Research Triangle Park.<sup>176</sup> RTI maintains ties with major universities such as North Carolina State, Duke, North Carolina Central, and the University of North Carolina at Chapel Hill.<sup>177</sup> These universities help bring research and innovation to the forefront of RTI projects worldwide.<sup>178</sup> Today, RTI employs nearly 5,000 professionals spread across 75 countries, who use a blend of innovative technology, research, and programs to “address complex social and scientific challenges on behalf of governments, businesses, foundations, and universities.”<sup>179</sup> In Fiscal Year 2018, RTI’s 1,226 donors and clients generated over \$957 million in revenue across 3,830 global projects.<sup>180</sup> In addition to executing worldwide projects, RTI’s research department is equally robust, authoring 1,159 journal articles, nine books, and 43 chapters in 2018.<sup>181</sup>

RTI’s mission is “to improve the human condition by turning knowledge into practice” with the vision of “addressing the world’s most critical problems with science-based solutions in pursuit of a better future.”<sup>182</sup> In order to accomplish this mission, RTI is organized into eight “practice areas”: health, education and workforce development, international development, energy research, environmental sciences, social and justice policy, food and agriculture, and innovation ecosystems.<sup>183</sup> In addition to these practice areas, RTI has eight services and capabilities areas: surveys and data collection, statistics and data science, evaluation, assessment and analysis, program design and implementation,

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<sup>176</sup> Research Triangle Institute, “About Us,” RTI International, February 9, 2016, <https://www.rti.org/about-us>.

<sup>177</sup> Research Triangle Institute.

<sup>178</sup> Research Triangle Institute.

<sup>179</sup> Research Triangle Institute.

<sup>180</sup> Research Triangle Institute, “2018 Annual Report | RTI,” RTI International, 2018, <https://annualreport.rti.org/2018/about-rti/at-a-glance.php>.

<sup>181</sup> Research Triangle Institute.

<sup>182</sup> Research Triangle Institute, “About Us.”

<sup>183</sup> Research Triangle Institute, “Research Triangle Institute,” RTI International, accessed September 11, 2019, <https://www.rti.org/>.

research technologies, drug discovery and development, analytical laboratory sciences, and engineering and technology research and development.<sup>184</sup>

This Chapter specifically reviews best practices within RTI's international development practice area, whose mission is "designing and implementing programs and advisory and training services to improve lives in developing countries around the world."<sup>185</sup> International development programs address challenges including energy for development, environment and water resilience, global health, governance, integrated learning solutions, international education, and workforce and economic opportunities.<sup>186</sup> RTI claims that, with a wide range of projects, its international development programs have a long history of working with all levels of government and civil society to create innovative solutions to enduring and emerging issues.<sup>187</sup>

RTI has a history of finding local solutions in complex environments. RTI has been involved in projects on the African continent for over 40 years.<sup>188</sup> Additionally, over 90 percent of the RTI staff in Africa is hired locally, which assists in increasing local transparency and building locally-sustainable capacity.<sup>189</sup> RTI's record of achieving results through local programs in corrupt locations suggests that RTI project managers have developed best practices that can effectively mitigate host nation corruption.

The Leadership, Empowerment, Advocacy, and Development (LEAD) project in Nigeria illustrates a recent example of an RTI project that addresses corruption. The LEAD program was designed in 2008 to bypass corrupt government officials who manage and disperse state funds by engaging directly with state and local communities, civil society

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<sup>184</sup> Research Triangle Institute.

<sup>185</sup> Research Triangle Institute, "International Development," RTI International, February 24, 2016, <https://www.rti.org/practice-area/international-development>.

<sup>186</sup> Research Triangle Institute.

<sup>187</sup> Research Triangle Institute.

<sup>188</sup> Research Triangle Institute, "Africa," RTI International, April 15, 2016, <https://www.rti.org/africa>.

<sup>189</sup> Research Triangle Institute.

and the private sector.<sup>190</sup> From 2008 to 2016, the project was sponsored by USAID and had three main objectives: strengthening governance capacity at state and local levels while increasing transparency of their operations; strengthening the capacity of local organizations; and improving service delivery in basic education and health systems.<sup>191</sup>

Over the project’s nine-year lifespan, RTI assessed that a key to sustainable results was avoiding corrupt officials at the local level. In the field, one of the largest projects involved helping 600,000 Nigerians gain access to potable water.<sup>192</sup> Initially, the program assessed that drilling new wells would increase the community’s access to water. However, after engaging with the local leaders and civil society, project managers discovered that the primary issue was not a lack of wells but rather maintaining existing wells.<sup>193</sup> The LEAD program then empowered local communities by training well maintenance committees.<sup>194</sup> Notably, beginning in 2014, these projects have been sustained solely through local leaders and committees.<sup>195</sup>

## **B. BEST PRACTICES DURING AREAS OF CORRUPTION VULNERABILITY**

Chapter II identified five ACV with host nation partners: the initial agreement, the transition and turnover period, the management of human resources, providing compensation and local procurement in host nations. These critical events were explored through reports, articles and one in-depth video teleconference interview with a subject

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<sup>190</sup> Globalwaters, “Leadership, Empowerment, Advocacy, and Development Project (LEAD),” n.d., <https://www.globalwaters.org/HowWeWork/Activities/leadership-empowerment-advocacy-and-development-project>.

<sup>191</sup> Research Triangle Institute, “LEAD Integrated Governance Project Improves Cross-Sector Service Delivery in Nigeria,” RTI International, February 13, 2019, <https://www.rti.org/impact/lead-integrated-governance-project-improves-cross-sector-service-delivery-nigeria>.

<sup>192</sup> Research Triangle Institute.

<sup>193</sup> Research Triangle Institute.

<sup>194</sup> Research Triangle Institute.

<sup>195</sup> Research Triangle Institute.

matter expert at RTI on September 5, 2019, with the aim of providing additional insights into best practices for mitigating corruption in the five ACV.

### **1. Initial Agreement with the Partner**

Typically, RTI projects do not draft agreements directly with foreign governments; rather, USAID drafts an agreement with the foreign government that outlines the scope of the project.<sup>196</sup> RTI employees will then register with the host nation and develop a Memorandum of Understanding (MOU) with a specific ministry, including the host nation’s Ministry of Health or Ministry of Education, depending on the project.<sup>197</sup> However, these MOUs are not what bind RTI to completing a project. Instead, a contract with USAID (the funding organization) ultimately dictates the program’s execution.<sup>198</sup> If issues arise within a program, such as a problem with corruption, the funding organization (in this case USAID) experiences the loss. Therefore, RTI goes to great lengths to mitigate corruption risks to ensure programs continue as planned.<sup>199</sup>

The RTI subject matter expert noted that USAID typically funds RTI programs for five years, and an anti-corruption clause is always in the contract because the contract is with the U.S. government, which has mandatory anti-corruption requirements.<sup>200</sup> The anti-corruption clause specifically outlines how funding is provided for a project with the condition that no funds will go towards bribes or “kickback schemes.”<sup>201</sup> The contract also dictates that, as RTI pays employees or services, they must keep detailed logs of all expenditures.<sup>202</sup>

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<sup>196</sup> RTI Subject Matter Expert, telephone interview, September 5, 2019.

<sup>197</sup> RTI Subject Matter Expert.

<sup>198</sup> RTI Subject Matter Expert.

<sup>199</sup> RTI Subject Matter Expert.

<sup>200</sup> RTI Subject Matter Expert.

<sup>201</sup> RTI Subject Matter Expert.

<sup>202</sup> RTI Subject Matter Expert.

Importantly, because of RTI’s relationship and agreement with a donor agency, such as USAID, auditing systems are robust and heavily scrutinized.<sup>203</sup> The subject matter expert notes that RTI develops project teams to be “audit-proof,” which ensures projects are executed as intended.<sup>204</sup> He described that RTI separates duties by locally employing an accountant, procurement worker, and operation manager, to minimize the risk of fraud. Additionally, RTI will maintain a project office in the capital of a country, which regularly communicates with the global office in Durham, North Carolina.<sup>205</sup> Auditing questions can be resolved at the local, country or headquarters level by personnel who know auditing processes and best practices.<sup>206</sup> The subject matter expert also noted that RTI conducts regular internal “spot audits” to ensure compliance with the rules.

RTI projects also use informal agreements to ensure host nation partners avoid corrupt practices. The subject matter expert describes that, in the past, USAID has canceled projects that were having trouble working with a host nation due to corruption. The expert further noted that, reminding host nation partners that a project could be shut down at a moment’s notice has served as an effective informal tool to maintain anti-corruption practices while operating with a host nation.

## **2. Transition and Turnover**

RTI projects can have significant personnel transitions and turnovers during their lifespan.<sup>207</sup> The subject matter expert noted that, even at the manager level, RTI tries to maintain continuity, but it is rare to have an individual on the same project for its duration. Because of this high rate of turnover, RTI recognizes the value of institutional knowledge gained through personnel continuity and prioritizes continuity where it is feasible.<sup>208</sup>

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<sup>203</sup> RTI Subject Matter Expert.

<sup>204</sup> RTI Subject Matter Expert.

<sup>205</sup> RTI Subject Matter Expert.

<sup>206</sup> RTI Subject Matter Expert.

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<sup>208</sup> RTI Subject Matter Expert.

RTI has worked with USAID to develop the USAID Learning and Knowledge Management (LEARN) project.<sup>209</sup> The project was built to support learning, knowledge management systems, web design, and event planning expertise within USAID with the result of increasing effectiveness of programs and creating sustainable outcomes.<sup>210</sup> One RTI publication identifies that “practitioners working in international development must constantly adapt to change at all levels—from responding to unanticipated outcomes in project monitoring and evaluation data to navigating unstable political situations or natural disasters in the field.”<sup>211</sup>

The LEARN project has helped provide Collaborating, Learning, and Adapting (CLA) tools to over 60 missions worldwide.<sup>212</sup> RTI specifically works to incorporate CLA into USAID projects by facilitating mid-project workshops, allowing staff and managers to reflect on progress and adjust programs if necessary.<sup>213</sup> Additionally, RTI facilitates self-assessments for USAID programs by using the CLA maturity tool, which includes: self-assessment, establishing a vision for the project, developing an action plan through prioritization, and tracking progress.<sup>214</sup> These RTI-driven initiatives help USAID projects achieve desired outcomes, including in complex or corrupt environments.

The USAID LEARN website offers various resources to practitioners that promote learning and better development outcomes. Resources include publications on best practices and program implementation, case studies, program cycle overviews, and a forum

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<sup>209</sup> Research Triangle Institute, “USAID Learning and Knowledge Management (LEARN),” RTI International, December 28, 2018, <https://www.rti.org/impact/usaid-learning-and-knowledge-management-learn>.

<sup>210</sup> Research Triangle Institute, “About the USAID LEARN Contract,” Text, USAID Learning Lab, February 22, 2016, <https://usaidlearninglab.org/learn-contract>.

<sup>211</sup> Research Triangle Institute, “USAID Learning and Knowledge Management (LEARN).”

<sup>212</sup> Research Triangle Institute.

<sup>213</sup> United States Agency for International Development, “CLA Framework, Maturity Tool and Spectrum Handouts,” Text, USAID Learning Lab, January 7, 2016, [https://usaidlearninglab.org/sites/default/files/resource/files/cla\\_maturity\\_matrix\\_overview\\_final.pdf](https://usaidlearninglab.org/sites/default/files/resource/files/cla_maturity_matrix_overview_final.pdf).

<sup>214</sup> United States Agency for International Development.



to ask questions.<sup>215</sup> The interactive website helps practitioners find case studies by country or region, and they depict how CLA approaches have affected projects.<sup>216</sup> Importantly, RTI holds a competition for written case studies, which promotes detailed and effective writing, giving the participants an opportunity to promote their work and showcase project effectiveness.<sup>217</sup>

### **3. Human Resources**

RTI does not have the ability to hire or fire host nation officials.<sup>218</sup> However, RTI has complete autonomy when hiring and firing local staff members.<sup>219</sup> The subject matter expert explains that, in many countries, working on the RTI staff for a USAID program is a well-paying, stable source of income. To maintain this income, RTI staff members generally work to build trust and maintain a good reputation with RTI.<sup>220</sup> Additionally, the RTI headquarters takes ownership for the foundational training of RTI staff and project workers.<sup>221</sup> The subject matter expert asserts that, by employing the same standards and procedures across all projects, RTI staff workers understand what is required of them, regardless of the project location or intent.

Furthermore, while the ratio between RTI employees and local staff can vary across projects, RTI generally avoids projects that are only staffed by local workers, which can introduce multiple operational risks, including corruption.<sup>222</sup> Specifically, the subject matter expert asserts that local-run projects lack sufficient third-party oversight on systems

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<sup>215</sup> United States Agency for International Development, “USAID Learning Lab,” Text, USAID Learning Lab, 2019, <https://usaidlearninglab.org/>.

<sup>216</sup> United States Agency for International Development, “Search the CLA Case Competition Case Studies,” Text, USAID Learning Lab, January 17, 2018, <https://usaidlearninglab.org/cla-cases>.

<sup>217</sup> United States Agency for International Development.

<sup>218</sup> RTI Subject Matter Expert, telephone interview.

<sup>219</sup> RTI Subject Matter Expert.

<sup>220</sup> RTI Subject Matter Expert.

<sup>221</sup> RTI Subject Matter Expert.

<sup>222</sup> RTI Subject Matter Expert.

like compliance and separation of duty. The expert further noted that, on the technical side of projects, it is very beneficial to have qualified local workers as they bring valuable knowledge and insight to projects. However, on the audit and fiscal side of a project, it is best to have someone from RTI manage the system.<sup>223</sup>

The subject matter expert explained that two to three expatriates—individuals originally from the U.S. but now residing in the host country—are usually hired to work on RTI projects, and their duties typically involve approving agreements, certifying large purchases, and ensuring projects are executed as intended. While this approval position is often criticized for creating “bottlenecks” in projects, the subject matter expert explains that expatriates ensure projects are viewed by the public as reputable, and strategic project objectives can be undermined if the public sees host nation partners committing corrupt acts.<sup>224</sup>

#### **4. Compensation and Benefits**

RTI has devised specific protocols for paying host nation employees. The subject matter expert explained that RTI does not typically pay the host nation government directly for projects due to resource misallocation risks. To ensure that intended end-users receive the benefits of projects, RTI primarily engages in “service delivery,” or providing technical expertise, trainers, or capacity building for the host nation as a service.<sup>225</sup> The subject matter expert did explain that, occasionally, RTI uses grantees, such as local youth groups, sports organizations, or other NGOs to work at the community level. If grantees align with RTI objectives, RTI can provide them a grant to fund their work.<sup>226</sup> An example of a project using grantees is a youth group that does after school programs that can provide RTI with additional capacity and increase the scope of project initiatives. However, a

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<sup>223</sup> RTI Subject Matter Expert.

<sup>224</sup> RTI Subject Matter Expert.

<sup>225</sup> RTI Subject Matter Expert.

<sup>226</sup> RTI Subject Matter Expert.

challenge of working with grantees is that, because of access or oversight restrictions, RTI cannot always validate that grants or funding were utilized as intended.<sup>227</sup>

RTI has also developed protocols that help account for workers and their salaries. Specifically, when asked if RTI had experienced “ghost workers” or employees appearing on a payroll but not at work, the expert suggested that creating a form of digital identification in countries that lack any formal identification system is a potentially effective option. For example, the subject matter expert suggested creating user profiles on digital platforms like Facebook or Twitter, which could be used to validate personnel who are on the roster, and to verify if personnel are at work or on leave. The expert also noted that RTI conducts “spot-checks” to curb absenteeism. While conducting spot checks can diminish trust between RTI employees and the host nation workers, the expert noted that finding creative ways to conduct audits under the guise of daily routines has been effective. He further stated that auditing procedures need to be framed as a professional requirement at the outset of a program, rather than a personal attack, which undermines trust.

RTI has found that cash payments to host nation partners also create risks and challenges. Importantly, throughout developing countries, individual access to mobile phones is expanding rapidly and this presents an opportunity to use “mobile money” to streamline payments and minimize the challenges faced by auditors or project managers.<sup>228</sup> RTI has developed two programs, Gooseberry and Strawberry to facilitate mobile payments.<sup>229</sup> Gooseberry is a system that creates a digital record of RTI staff and volunteers.<sup>230</sup> Strawberry then takes the digital records from Gooseberry and documents a participant’s qualification for payment.<sup>231</sup> Together, these two systems provide RTI clients with high levels of “accuracy, transparency, and risk-mitigation—while offering a fast and

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<sup>227</sup> RTI Subject Matter Expert.

<sup>228</sup> RTI Subject Matter Expert.

<sup>229</sup> Research Triangle Institute, “Gooseberry + Strawberry for Mobile Transactions,” RTI International, November 2, 2017, <https://www.rti.org/impact/gooseberry-strawberry-mobile-transactions>.

<sup>230</sup> Research Triangle Institute.

<sup>231</sup> Research Triangle Institute.

efficient payment system for workers.”<sup>232</sup> These systems can help mitigate the risk of “kickback schemes” from locals or expatriates, which have been discovered on RTI projects and are often hard to identify through audits alone.<sup>233</sup>

RTI has found that, while systems like Strawberry and Gooseberry do not work everywhere for reasons of trust or availability, mobile money can be a very effective tool for distributing funds and mitigating corruption.<sup>234</sup> In one case, RTI used mobile money in Kenya to instantaneously pay bus fares to individual mobile money accounts for volunteers commuting to a project.<sup>235</sup> Mobile money also has the secondary benefit of creating identification systems for workers.<sup>236</sup> The subject matter expert explained that, as new workers arrived at a project, they were required to register with a digital identification system, linked to their mobile money account.<sup>237</sup> The identification enabled RTI to simply pay individuals while maintaining an accurate log of workers.<sup>238</sup>

RTI’s efforts to implement “mobile money” solutions to global projects reflects a wider NGO initiative to move towards mobile money. At a conference hosted by the Center for Strategic and International Studies (CSIS), participants discussed the topic of creating a transcontinental digital identification system in Africa.<sup>239</sup> Vera Songwe, the executive secretary for the United Nations Economic Commission for Africa, discussed how digital identification is fundamental and important, especially as over 500 million individuals in

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<sup>232</sup> Research Triangle Institute.

<sup>233</sup> RTI Subject Matter Expert, telephone interview.

<sup>234</sup> RTI Subject Matter Expert.

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<sup>237</sup> RTI Subject Matter Expert.

<sup>238</sup> RTI Subject Matter Expert.

<sup>239</sup> Center for Strategic and International Studies, “Digital Identity and the Future of Africa’s Digital Economy” (11 September), [https://www.csis.org/events/digital-identity-and-future-africas-digital-economy?utm\\_source=CSIS+All&utm\\_campaign=cc2ff3e4b0-EMAIL\\_CAMPAIGN\\_2018\\_11\\_26\\_03\\_51\\_COPY\\_03&utm\\_medium=email&utm\\_term=0\\_f326fc46b6-cc2ff3e4b0-222411633](https://www.csis.org/events/digital-identity-and-future-africas-digital-economy?utm_source=CSIS+All&utm_campaign=cc2ff3e4b0-EMAIL_CAMPAIGN_2018_11_26_03_51_COPY_03&utm_medium=email&utm_term=0_f326fc46b6-cc2ff3e4b0-222411633).

Africa have no form of identification.<sup>240</sup> Songwe noted how Indian officials worked to implement digital identification for over one billion individuals, thus reducing the prevalence of “ghost workers.”<sup>241</sup> While Songwe noted that many challenges exist when working to develop a digital identification system, the CSIS hopes to have 500 million without identification on a digital identification system by 2030.<sup>242</sup>

In situations where cash compensation may not be effective, RTI has the capability to compensate through “in-kind” contributions.<sup>243</sup> RTI’s procurement team can acquire services such as renting a venue, facilitating transportation, and providing food for an event, delivering these services “in-kind” for a project.<sup>244</sup> The subject matter expert stressed that in-kind contributions minimize the risk of a cash transfer but generally require additional time and effort to accomplish.

## **5. Local Procurement**

RTI also has developed several practices aimed at mitigating corruption when providing supplies to development projects abroad. First, RTI programs use procurement thresholds to protect RTI projects from corruption risks.<sup>245</sup> For example, field offices can purchase anything under \$3,500 without competing bids.<sup>246</sup> However, any purchase above \$3,500 needs three quotes from different vendors.<sup>247</sup> Any purchase above \$50,000 needs to be reviewed by RTI headquarters personnel, and any purchase above \$100,000 needs to be reviewed at even higher levels within RTI.<sup>248</sup> The subject matter expert states that,

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<sup>240</sup> Center for Strategic and International Studies.

<sup>241</sup> Center for Strategic and International Studies.

<sup>242</sup> Center for Strategic and International Studies.

<sup>243</sup> RTI Subject Matter Expert, telephone interview.

<sup>244</sup> RTI Subject Matter Expert.

<sup>245</sup> RTI Subject Matter Expert.

<sup>246</sup> RTI Subject Matter Expert.

<sup>247</sup> RTI Subject Matter Expert.

<sup>248</sup> RTI Subject Matter Expert.

while procurement thresholds have the potential to delay purchases, senior-level oversight for large purchases keeps an organization vigilant against corruption.

Local hires assist RTI projects in identifying fair market prices with procurement.<sup>249</sup> The subject matter expert explains that a local hire can be tasked to find the three vendors and determine whether or not a project is overpaying for goods or services. The expert also noted how USAID is an excellent resource for determining local costs of items if they have a presence in the country. In Niger, for example, USAID works in several locations around the country have been used to provide a reference point for the price of items such as fuel and basic materials.<sup>250</sup> Overall, the expert noted that RTI projects go to great lengths to ensure that both the price paid for a good or service is reasonable and that the organization is receiving the actual goods or services for which it paid.

RTI also mitigates against the theft of goods by holding project managers accountable for high-value items that are purchased on behalf of a donor agency.<sup>251</sup> The subject matter expert explained that, everything that is not a consumable item and costs over \$500, such as computers or vehicles, must be inventoried and tagged upon procurement. During personnel transitions, all tagged items are inventoried and accounted for.<sup>252</sup> The expert admitted that upon project completion, it is often difficult to locate many items procured because they often move from one location to the next, but maintaining inventories and logs throughout the duration of a project can prevent theft. The subject matter expert concluded that, ideally, one individual is accountable for all items, and they are held professionally responsible for their inventory.

The RTI employee did note that some practices that are vulnerable to corruption are difficult to correct. For example, acquiring valid receipts for items is difficult because

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<sup>249</sup> RTI Subject Matter Expert.

<sup>250</sup> RTI Subject Matter Expert.

<sup>251</sup> RTI Subject Matter Expert.

<sup>252</sup> RTI Subject Matter Expert.

many countries either do not give receipts, or the receipts do not contain adequate information to track what was purchased.<sup>253</sup> Additionally, vendors become aware of U.S. practices, such as thresholds for acquiring contract bids or the types of receipts required, and can adjust receipts in order to skim money for personal benefit.<sup>254</sup> To mitigate the risk of corruption, the expert revealed that, when dealing with procuring fuel, RTI gives drivers fuel cards, rather than cash. RTI also tracks the movement and location of vehicles through mechanisms like Global Positioning Systems (GPS) that track where and when vehicles are used, which has the added benefit of improving security.<sup>255</sup> Additionally, RTI is progressing to create digital systems to track vehicle movements and fuel consumption, which project managers can then review.<sup>256</sup> The expert believes that, with workers simply just being aware that there is a mileage log, fuel log, and movement log, they are often deterred from trying to extort the system for personal benefit. The expert noted that employing practices such as fuel logs or movement trackers are most effect when implemented at the onset of a program, which reduces the perception of a lack of trust.

For item procurement, RTI works to purchase items locally.<sup>257</sup> However, the subject matter expert notes that, if items are not able to be found locally, they ship them from international sources. He stated that, before a project even begins, RTI sets up systems for item procurement. Specifically, RTI has at least one individual whose job is specifically procurement. Ideally this individual is a local hire who can navigate the market effectively.<sup>258</sup> The individual will go out and meet with different vendors to identify lead times, availability of items, market standards, and gain an overall understanding of what it takes to get procure items such as books or educational tools. The expert identified that a key asset for RTI is that they have the infrastructure to employ someone specifically for the purpose of procurement.

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<sup>253</sup> RTI Subject Matter Expert.

<sup>254</sup> RTI Subject Matter Expert.

<sup>255</sup> RTI Subject Matter Expert.

<sup>256</sup> RTI Subject Matter Expert.

<sup>257</sup> RTI Subject Matter Expert.

<sup>258</sup> RTI Subject Matter Expert.

When discussing how RTI establishes a project in an area where they have never worked before, such as Niger, the subject matter expert noted that RTI implements specific processes. First, RTI sends out a recruiter to fill positions such as a procurement officer, gain cost assumptions for an area, and establish a network to determine what items will cost for a project. Determining things like fuel cost, security force requirements, or the price of food helps RTI build a budget for a donor agency to determine the cost of a project.<sup>259</sup>

## 6. Additional Tools

RTI publications for program implementation highlight “adaptive management” as an effective strategy for working in complex environments. While the term adaptive management has various definitions, common themes persist across all definitions. One major theme is the concept of reframing a project’s design implementation. Adaptive management encourages leaders to shift from a traditional project cycle of design, implementation, and evaluation, to a more flexible model where repeated experimentation leads to adjustments in project design.<sup>260</sup> Additionally, the common theme of participatory collaboration with stakeholders identifies various iterations of planning and action, and incremental decision-making, as important.<sup>261</sup> Finally, adaptive management includes monitoring, evaluating, and learning to provide real-time information, supporting evidence-based decision making.<sup>262</sup> As RTI incorporates adaptive management strategies into projects, leaders can change strategies or designs to more effectively work in complex environments.

An example of RTI adaptive management implementation is discussed in the RTI Insight publication, “Thinking and Working Politically: An Expert Interview with Lisa

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<sup>259</sup> RTI Subject Matter Expert.

<sup>260</sup> Derick Brinkerhoff, Sarah Frazer, and Lisa McGregor, “Adapting to Learn and Learning to Adapt: Practical Insights from International Development Projects,” *RTI Press*, January 2018.

<sup>261</sup> Derick Brinkerhoff, Sarah Frazer, and Lisa McGregor.

<sup>262</sup> Derick Brinkerhoff, Sarah Frazer, and Lisa McGregor, 2.



McGregor.”<sup>263</sup> The publication identifies the importance for development practitioners to understand the underlying political economy of an area to achieve sustainable results.<sup>264</sup> To assist practitioners, McGregor states how, during her tenure with USAID, practitioners used Political Economy Analysis (PEA) to, “better understand the local context and operationalizing adaptive management by identifying key actors, incentives, and opportunities for change.”<sup>265</sup> PEA provides a structure for examining political, social, and cultural factors that influence development projects while looking “under the surface” and underlying causes to problems.<sup>266</sup> McGregor brought the lessons learned while working in USAID to RTI, and has refined PEA methodologies to help practitioners in the field.<sup>267</sup> Specifically, PEAs have been important to the proposal and startup for projects in Senegal, Nigeria, Haiti, Zambia, Tanzania, Uganda, and the Philippines.<sup>268</sup>

To conduct an applied PEA, practitioners hold initial workshops with a project team to identify stakeholders and then understand the stakeholders’ perspectives to specific PEA topics.<sup>269</sup> The report notes that holding these meetings with project staff is often valuable because they can provide “ground truth” from their work in the region.<sup>270</sup> RTI found that conducting an applied PEA analysis close to the beginning of a project accelerated the staff’s learning and knowledge about a program while increasing project dividends.<sup>271</sup> For example, a PEA was conducted for the USAID Senegal Governance for Local Development project where a stakeholder analysis identified that, although the project

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<sup>263</sup> Research Triangle Institute, “Thinking and Working Politically: An Expert Interview with Lisa McGregor,” RTI International, August 28, 2019, <https://www.rti.org/insights/thinking-and-working-politically-expert-interview-lisa-mcgregor>.

<sup>264</sup> Research Triangle Institute.

<sup>265</sup> Research Triangle Institute.

<sup>266</sup> Research Triangle Institute.

<sup>267</sup> Research Triangle Institute.

<sup>268</sup> Research Triangle Institute.

<sup>269</sup> Research Triangle Institute.

<sup>270</sup> Research Triangle Institute.

<sup>271</sup> Research Triangle Institute.

incorporated various local communities, the project did not possess a national component.<sup>272</sup> Lacking a national component risked project sustainability and was corrected after being identified.<sup>273</sup> Additionally, while PEA does not specifically address corruption, it highlights the importance of project teams to design effective projects while accounting for local stakeholders and the local political economy.

## C. CONCLUSION

RTI international conducts development projects in some of the most challenging and corrupt environments in the world. Additionally, RTI programs and project managers have employed a variety of best practices to mitigate the risks of corruption while working with host nation partners. Notably, these include:

### 1. Initial Agreement with the Partner

- Create explicit formal agreements and MOUs with anti-bribery clauses that outline clear expectations
- Communicate informal agreements that communicate that corruption will not be tolerated

### 2. Transition and Turnover

- Prioritize personnel continuity over project lifespan when feasible
- Address continuity gaps with a knowledge management system that records regular self-assessments of a program
- Include expatriates that can provide local insight and project continuity when feasible

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<sup>272</sup> Research Triangle Institute.

<sup>273</sup> Research Triangle Institute.

- Send a recruiter to a project location before the start date to screen local candidates to hire

### **3. Human Resources**

- Create a separate “auditing chain of command”
- Create detailed logs of all expenditures in the host country
- Conduct regular spot audits

### **4. Compensation and Benefits**

- Use digital identification paired with mobile money to create fast, effective, payment systems
- Substitute “In-kind” payments and fuel cards to minimize cash transfer risks

### **5. Local Procurement**

- Separate duties between procurement, payment, and oversight personnel
- Consult local hires who can identify fair market prices for goods and services
- Conduct regular inventory of high-value items transferred to host nation

### **6. Additional Tools**

- Empower project managers to have adaptive management tools to adjust to unforeseen challenges during projects

The next chapter will offer summary thoughts on the thesis and offer recommendations for USSOF advisors seeking strategies to mitigate partner force corruption.

## **V. CONCLUSION**

### **A. SUMMARY**

This thesis aimed to research the following question: What are the best practices used by organizations outside the military to work through challenges posed by corruption in a host nation country?

The thesis investigated this question, first, by drawing from academic and practitioner literature to define corruption. Based on this literature, it defined corruption as: the abuse of entrusted power, for private benefit, including: petty or grand crimes, formal or informal violations, knowing or unwitting acts, regardless of whether benefits are tangible or intangible. Additionally, this thesis stressed the importance of framing corruption within the context of local societal norms about fairness, equity, reasonableness, and the allocation of responsibilities. Building on this literature review, Chapter II concluded by proposing a model that highlights areas of corruption vulnerability during SOF operations. This model proposed five Areas of Corruption Vulnerability (ACV): the initial agreement with the partner, transitions and turnovers, human resources issues, compensation and benefits, and local procurement.

This thesis focused specifically on how MNCs and NGOs address corruption in their work abroad, especially in developing countries, and applied the ACV model to two cases. Chapter III examined Chevron Corporation's upstream operations in developing countries. And Chapter IV investigated RTI's overseas humanitarian operations. Both cases drew from reports, articles and other literature on these specific cases, in addition to in-depth interviews with subject matter experts within each organization.

### **B. FINDINGS**

This investigation yielded the following findings:

First, Chevron has taken several key measures aimed at reducing corruption in its overseas operations, due in large part to regulations that compel MNCs to take anti-corruption seriously. Specifically, Chevron's initial agreements with foreign governments

ensure that partners understand that the long-term benefits of Chevron's presence outweigh short-term benefits from corrupt acts against the corporation. Initial agreements with partners also require the partners to demonstrate that they can provide services without breaking the law, to document performance, and to make documents available to managers and auditors upon request. Finally, Chevron ensures that initial agreements include the following: payment structures that incentivize continued performance, the right to suspend or terminate a contract, and the possibility of using a mutually respected third party to dispute contract breaches that occur.

To address corruption risks that arise during transition and turnover of personnel, Chevron stresses the importance of reinforcing a strong culture of ethical, moral, and legal compliance for all employees and partners through regular training. This foundational training sets expectations between local and international employees, builds trust, and aids in seamless personnel transitions. Chevron also relies on their centralized finance department as a source of knowledge management and continuity. Incorporating automated anomaly detection software into the finance department's electronic payment system assists Chevron in detecting irregular payments and enables it to quickly correct issues. The company also hires independent, third-party firms to assess the local economic impact of its operations.

Chevron holds leaders accountable for the quality of a turnover by including individual effectiveness at maintaining, and transferring knowledge to new leaders on periodic evaluations. Finally, Chevron allocates ample time for turnovers, allowing incoming teams to study the project, outgoing teams to update reports and notes, and for both teams to discuss operations and meet contacts.

Overall, the Chevron case found that leaders can mitigate corruption risks by instilling a strong ethical culture in the workforce. Leaders should also identify trusted individuals for key positions, such as finance or procurement, in order to reduce the likelihood of corrupt acts. Finally, leaders need to understand and manage loyalties between local employees, the company, and the employees' families, and provide ample resources to the family, such as healthcare, holiday time, and bonuses, to keep good employees happy and loyal and thereby reduce corruption.

RTI, a U.S. based international NGO that regularly manages development projects in overseas countries, also revealed several important insights for countering corruption. First, creating explicit formal agreements and MOUs that clearly outline expectations for the partnership, including anti-bribery clauses, can help mitigate corruption risks. Moreover, informal agreements play a role in communicating to the host nation that corruption will not be tolerated.

To mitigate corruption risks during transition and turnover, the case found that prioritizing personnel continuity over a project's lifespan is critical and helps reduce gaps in knowledge management in addition to maintaining program records. Additionally, RTI leverages hiring local employees, including individuals originally from that country but now living in another country, who add value to programs, including cultural insights, societal norms, and local procurement know-how.

In order to prevent employees from engaging in corrupt acts, RTI utilizes a robust auditing system to regularly investigate potentially corrupt behavior. RTI project managers are responsible for maintaining detailed expenditure logs and are subject to regular spot audits by a separate "auditing chain of command." Furthermore, RTI has had success using digital identification, paired with mobile money payments, to create fast and effective payment systems in developing regions that lack robust financial institutions and identification cards. Digital identity initiatives also have had success in reducing instances of "ghost workers" and employee absenteeism. Additionally, RTI often substitutes "in-kind" payments for cash payments in areas where corruption is high. RTI manages corruption during supply and procurement by separating duties between procurement, payment, and oversight personnel, which reduces the risk of corruption because it would require all the individuals, rather than just one, to engage in a corrupt scheme. RTI managers also regularly consult local hires on the fair market price for goods and services to reduce the risk of exploitation. Finally, project managers conduct regular inventories of high-value items transferred to the host nation in order to prevent this equipment from being sold or traded for personal benefit. RTI identified one final counter-corruption tool, "adaptive management," which empowers project managers to conduct cyclical

assessments of projects, and to proactively adapt policies at the local level in response to challenges in project execution.

## **C. IMPLICATIONS FOR USSOF**

This thesis' review of current U.S. military doctrine identified significant gaps in not only how corruption is framed within overseas military operations, but also strategies and procedures to mitigate its negative effects. The findings from the case studies provide a variety of tools for mitigating corruption in USSOF deployments. While some of these tools are ideal for tactical USSOF advisors, these tools should also be useful at the staff level and higher, and should help with planning, establishing new procedures, and coordinating resources and personnel. Therefore, this thesis separates recommendations into those for planners and those for tactical advisors.

### **1. Recommendations for Staff Planners**

First, before partnering with an indigenous force, USSOF program and staff planners should send qualified recruiters to screen all potential partners. Staff should also hire independent firms to review local procurement and conduct third-party economic impact assessments of a sustained USSOF presence. After viable partners are identified, planners should draft robust initial agreements that explicitly address corruption, give USSOF advisors auditing rights, and require partners to document their performance. Planners should also embrace centralized, digital payments and empower tactical leaders to regularly audit and report instances of corruption. Planners should play a key role in maximizing program continuity by requiring teams to maintain transferable records, allocate sufficient time for turnovers, and evaluate leaders on continuity performance. Finally, planners should embrace local procurement while conducting regular assessments to ensure that locally procured goods and services are at a fair market rate.

### **2. Recommendations at the Tactical Level**

At the tactical level, advisors should understand that they will likely encounter a range of corrupt acts, especially during the five areas of corruption vulnerability proposed in the ACT model: the initial agreement with the partner, transitions and turnovers, human

resources issues, compensation and benefits, and local procurement. Advisors have a direct impact on setting the culture of the partnership and have a responsibility to create a culture that upholds ethical, moral, and legal expectations. Advisors should regularly communicate that corruption will not be tolerated and place trusted individuals in positions dealing with finance and procurement. Tactical advisors should also require local partners to document their performance and regularly inspect these documents.<sup>274</sup> Tactical advisors should seek complete financial transparency for all U.S. funds dispersed through a program. Electronic payments aid in creating detailed logs of all expenditures, and digital identification paired with mobile money may be an effective way to remove unnecessary “middlemen” and the potential corruption risks. In other instances where cash payments create problems, “in-kind” payments may be a better alternative. Finally, advisors should consult trusted locals to ensure that goods and services are procured at a fair market price. These findings are summarized Table 3.

Table 3. Best Practices for USSOF to Mitigate Corruption Risk during Partner Force Engagements

<b><u>Corruption Defined:</u> the abuse of entrusted power, for private benefit, including: petty or grand crimes, formal or informal violations, knowing or unwitting acts, regardless of whether benefits are tangible or intangible. Additionally, corruption needs to be framed within the context of local societal norms about fairness, equity, reasonableness, and the allocation of responsibilities.</b>	
	Best Practices/Recommendations
Program/Staff Planners	<p>In an initial agreement:</p> <ul style="list-style-type: none"> <li>• Ensure the host nation understands that long-term gains outweigh short-term benefits of corrupt acts</li> <li>• Create explicit formal agreements and MOUs with anti-bribery clauses that outline clear expectations</li> <li>• Create robust auditing systems</li> </ul> <p>Payment systems:</p> <ul style="list-style-type: none"> <li>• Utilize the Centralized Finance Department as a knowledge management system and establish an automated anomaly detection system for financial transactions</li> </ul>

<sup>274</sup> The authors are using the term “document” broadly to include pictures, videos, audio recordings and other documenting mediums.



	<ul style="list-style-type: none"> <li>• Incorporate electronic transfers to reduce the risk of corruption that occurs during cash transactions</li> <li>• Extend benefits beyond cash payments to dissuade workers from engaging in corrupt acts</li> </ul> <p>Reporting and tracking issues:</p> <ul style="list-style-type: none"> <li>• Incorporate an Operational Excellence Management System for leaders to assess, prioritize and manage corruption risks</li> <li>• Empower project managers to have adaptive management tools to adjust to unforeseen challenges during projects</li> <li>• Encourage tactical leaders to access reference materials and subject matter experts in ambiguous situations</li> </ul> <p>Financial accountability:</p> <ul style="list-style-type: none"> <li>• Create robust auditing systems that include a separate “auditing chain of command” and conduct regular spot audits</li> </ul> <p>Program continuity:</p> <ul style="list-style-type: none"> <li>• Prioritize personnel continuity over project lifespan when feasible</li> <li>• Require leaders to establish effective reporting and records systems that maintain transferable records of key contacts, agreements, and activities</li> <li>• Allocate sufficient time during transitions in order for outgoing teams to organize and refresh records, incoming teams to review and study records, and overlapping teams to discuss ongoing activities and introductions to key contacts</li> <li>• Evaluate leaders and team members in performance evaluations on the quality of record-keeping, the ability to transfer knowledge and success in transferring key relationships to incoming leaders and teams</li> <li>• Address continuity gaps with a knowledge management system that records regular self-assessments of a program</li> <li>• Include expatriates that can provide project continuity when feasible</li> </ul> <p>Local impact:</p> <ul style="list-style-type: none"> <li>• Hire local staff can bring valuable local knowledge and insight to a project</li> <li>• Send a recruiter to a project location before the start date to screen local candidates to hire</li> <li>• Embrace local procurement, which can have a major impact on local economies and build trust within a community</li> </ul>
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	<ul style="list-style-type: none"> <li>• Hire independent research firms to review local procurement and conduct third party economic impact assessments</li> </ul> <p>Other:</p> <ul style="list-style-type: none"> <li>• Engage continuously with academics, MNCs and NGOs to share effective counter corruption tools</li> </ul>
Tactical Advisors	<p>Reassess corruption mitigation strategies during:</p> <ul style="list-style-type: none"> <li>• Initial agreement with the partner</li> <li>• Transition and turnover</li> <li>• Human resources issues</li> <li>• Compensation and benefits</li> <li>• Local Procurement</li> </ul> <p>Understanding corruption:</p> <ul style="list-style-type: none"> <li>• Understand common corruption terms and definitions (reference Table 1)</li> <li>• Update continuously the stakeholder network to understand implications of corruption</li> </ul> <p>Local partner accountability:</p> <ul style="list-style-type: none"> <li>• Require local partners to demonstrate that they can provide services without breaking the law, document their performance, and make documents available for inspection upon request</li> </ul> <p>Building the right culture:</p> <ul style="list-style-type: none"> <li>• Communicate through informal agreements that corruption will not be tolerated</li> <li>• Reinforce ethical, moral, and legal obligations for employees through ethics training to build a foundation resistant to corruption risks</li> <li>• Build trusting relationships among partners, specifically employing trusted individuals in positions dealing with finance and procurement</li> <li>• Manage competing loyalties for local partners, such as between the company and their families</li> </ul> <p>Financial accountability:</p> <ul style="list-style-type: none"> <li>• Maintain detailed logs of all expenditures in the host country</li> <li>• Use digital identification paired with mobile money to create fast, effective payment systems</li> <li>• Substitute cash transfers with “in-kind” payments or fuel cards, if feasible</li> </ul>

	<ul style="list-style-type: none"> <li>• Pay special attention to locally procured services to ensure that the right price is paid for a good or service. Consult local hires who can identify fair market prices for goods and services</li> <li>• Separate duties between procurement, payment, and oversight personnel</li> <li>• Conduct regular inventory of high-value items transferred to host nation</li> </ul>
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**D. RECOMMENDED FUTURE RESEARCH**

This thesis aimed to identify a wide array of counter corruption “best practices” used by organizations outside the military. The best practices listed are not fully inclusive, and may not pertain to every situation, but they arm USSOF advisors and staff with practical tools to frame and counter corruption. MNCs and NGOs represent just two of the types of organizations that, like the military, operate in areas where corruption is high.

Additional research should focus on engaging with a broader network of non-military organizations that regularly operate in environments challenged by corruption. The objective would be to maintain a robust collection of “best-practices.” In addition to traditional research, deployed staffs should task tactical advisors to explore and compile counter-corruption strategies with non-military, local personnel.

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