

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

TRANSPARENCY AND INTEGRITY SECTOR FRAMEWORK DOCUMENT

INNOVATION IN CITIZEN SERVICES DIVISION

FEBRUARY 2020

This document was prepared by the Innovation in Citizen Services Division (IFD/ICS). The team tasked with preparing the document consisted of: Lea Giménez, Division Chief; Roberto de Michele, Project Team Leader; Benjamín Santa María, Alternate Project Team Leader; and Nicolás Dassen (IFD/ICS); Juan Cruz Vieyra (ICS/CDR); Jacopo Gamba, María Cecilia Alvarez Bollea, and Sonia Rojas (IFD/ICS); Francesco de Simone (ICS/CJA); Claudia Mendieta and Phil Keefer (IFD/IFD); and the KIC/KLD team. The document draws on contributions from Juanita Riano (OII/OII), Marcelo Paz of IDB Invest (DSP/DCO), and sector, country, and corporate specialists. We also acknowledge the contributions of VPS/VPS and its operational departments, and of IFD/IFD and its divisions.

This document is being made publicly available simultaneously with its distribution to the Board for information.

CONTENTS

EXECUTIVE SUMMARY

I.	THE SECTOR FRAMEWORK DOCUMENT IN THE CONTEXT OF CURRENT REGULATIONS, THE INSTITUTIONAL STRATEGY, AND INTERNATIONAL AGREEMENTS	1
A.	The Transparency and Integrity Sector Framework Document as part of the Institutional Strategy and sector strategies	1
B.	The Transparency and Integrity SFD as part of international development agreements and international standards on transparency and integrity	4
II.	KEY SECTOR CHALLENGES IN THE LATIN AMERICA AND CARIBBEAN REGION	7
A.	Types of corruption	7
B.	Measuring corruption	8
C.	Main results of the transparency and integrity indices	10
D.	Corruption, impacts, and consequences	16
III.	EVIDENCE REGARDING THE EFFECTIVENESS OF SECTOR POLICIES AND PROGRAMS..	22
A.	Prevailing theoretical frameworks	22
B.	The evidence	25
C.	Knowledge gaps	28
IV.	LESSONS LEARNED FROM EXPERIENCE IN THE SECTOR	31
A.	Lessons learned	31
B.	Recommendations of the Office of Evaluation and Oversight	38
V.	LINES OF ACTION FOR WORK IN THE SECTOR	39
A.	Guiding principles for the lines of action	39
B.	Lines of action to increase access to information and facilitate public demand and citizen control	41
C.	Lines of action for public sector integrity	42
D.	Lines of action for private sector integrity	44

ANNEX

BIBLIOGRAPHY

ABBREVIATIONS

AAF	Anticorruption Activities Trust Fund
CFATF	Caribbean Financial Action Task Force
CICAD	Inter-American Drug Abuse Control Commission
Advisory Group Report	Report of the Expert Advisory Group on Anti-Corruption, Transparency, and Integrity in Latin America and the Caribbean
EITI	Extractive Industries Transparency Initiative
FATF	Financial Action Task Force
FDI	Foreign direct investment
GAFILAT	Financial Action Task Force of Latin America
GELAVEX	Group of Experts for the Control of Money Laundering
ICRG	International Country Risk Guide
IDB-9	Ninth General Increase in the Resources of the Bank
IMF	International Monetary Fund
LAC	Latin America and the Caribbean
MESICIC	Follow-up Mechanism for the Implementation of the Inter-American Convention against Corruption
OAS	Organization of American States
OECD	Organisation for Economic Co-operation and Development
OLACEFS	Organization of Latin American and Caribbean Supreme Audit Institutions
OVE	Office of Evaluation and Oversight
PAACT	Plan de Acción para el Apoyo a los Países en sus Esfuerzos por Combatir la Corrupción y Fomentar la Transparencia [Action Plan for Supporting Countries' Efforts to Combat Corruption and Foster Transparency]
SAI	Supreme audit institution
SFD	Sector Framework Document
UIS	Update to the Institutional Strategy 2020-2023
UNDP	United Nations Development Programme
WGI	World Governance Indicators

EXECUTIVE SUMMARY

The objective of the Transparency and Integrity Sector Framework Document is to guide the work of the Inter-American Development Bank Group (IDB Group) with countries and governments in the field of transparency and integrity, in the areas of operations, dialogue, and knowledge generation and dissemination. The document provides general guidelines for addressing the diversity of institutional challenges and contexts linked to the transparency and integrity agenda to which that the Bank's 26 borrowing member countries are exposed, and seeks to provide IDB Group specialists with a roadmap for addressing these issues.

This sector framework document (SFD) describes how transparency and the quality of institutions are critical for democratic governance, effective public service delivery, and the creation of a business climate that fosters investment and supports private sector development. The different forms of corruption are analyzed, together with the factors that help to explain them. Key public policy experiences for addressing this problem are also described.

Corruption manifests itself in many ways in both the public and private spheres, and it includes improper behavior that violates either fiduciary duties or a duty of trust. Types of corruption may include conflicts of interest, the use of privileged information, trading in influence, and bribery. In the same way that there are different types of corruption, there are also different scales. The main focus of this SFD is the public sector and the relationships that are established between it and the private sector. In this respect, corruption is defined as an abuse of authority by a public official for private gain.

In its most sophisticated expression, corruption transcends borders. Recent corruption cases in the region show how individuals and companies that violate the law can exploit institutional weaknesses and the opacity of some jurisdictions to facilitate their offenses and conceal illicit gains. These forms of corruption are, of course, difficult to investigate and prove. The weakness or ineffectiveness of bodies responsible for uncovering and punishing corruption increases the sense of impunity and, accordingly, public frustration with the problem.

The Report of the Expert Advisory Group on Anti-Corruption, Transparency, and Integrity in Latin America and the Caribbean, commissioned by the Office of the President of the IDB Group, indicates that, in some cases, corruption has succeeded in capturing the highest levels of government, society, and the economy. In most cases, this capture is attributable to irregular political finance mechanisms and leads to systemic corruption. Systemic corruption frequently coexists with petty corruption, which is associated with the administrative procedures and permits citizens and companies need to access services and engage in economic activity.

The countries of Latin America and the Caribbean (LAC) generally score disappointingly low on the main corruption perception and control indices. With few exceptions, there have been no significant improvements in the region's governance indicators over the last two decades. The countries of the region perform poorly in terms of implementing the rule of law, effectively enforcing the law, and controlling corruption, thus exacerbating concerns over impunity.

Academics, specialists, and international organizations all agree that corruption is harmful to the rule of law and economic development. There is also consensus regarding the difficulty of measuring corruption. Nonetheless, a significant number of indices and

theoretical approaches exist that provide a foundation for analyzing the problem and developing proposals for reform.

The IDB Group works in the areas of institutional strengthening and the adoption of better laws and regulations that eliminate opportunities for opacity and rent-seeking. These reforms aim to solve two major issues that feed corruption: weak collective action capacity on the part of citizens and the private sector, and institutional failings that make it difficult to control the problem.

Over the last 20 years, IDB Group member countries have signed a set of international treaties and agreements that have led to a wave of institutional and legal reforms in the areas of transparency and integrity. This SFD makes the case for reforms aligned with these international transparency and integrity standards. The reforms also support the principle of targeted transparency and highlight the use of digital technologies to ensure greater access to information and improved efficiency and effectiveness in public administration.

Notwithstanding the challenges in addressing the problem of corruption, different lessons learned point to opportunities for providing effective support for the efforts of IDB Group countries to foster transparency and integrity. Difficulties in measuring the problem can be mitigated by studies to supplement the main indicators in the area. The knowledge generated by the IDB Group in this area is essential for policy dialogue, country strategies, and the preparation and execution of operations. International transparency and integrity standards are currently a critical tool for promoting transparency and integrity reforms. Accordingly, the IDB Group's engagement with the international organizations responsible for issuing these standards is of key importance for offering improved support to the countries.

The lessons learned also show that a combination of regulatory reforms and the appropriate use of digital technologies facilitates greater transparency and integrity. The access to information associated with the use of these technologies is a powerful resource for leveraging transparency and integrity reforms, particularly at the sector level. The use of digital technologies has the potential to improve the capacity to detect irregularities and enhance transparency so that citizens and the private sector make better decisions and are able to engage in social control activities.

The lines of action set out in this SFD are aligned with the IDB Group's Update to the Institutional Strategy 2020-2023. They aim to provide support to countries in implementing transparency and integrity reforms that are aligned with international commitments, with emphasis on institutional strengthening and access to information. The reforms will endeavor to improve the quality of institutions, promote the adoption of clear rules to avoid the abuse of authority, increase information for collective action, and ensure the effectiveness of control bodies.

This SFD proposes complementary lines of action and emphasizes the importance of IDB Group internal coordination with the aim of responding to the countries' demand. Specifically, the lines of action are divided into interventions to: (i) increase access to information and facilitate public demand and citizen control; (ii) promote reforms to enhance integrity in the public sector; and (iii) encourage reforms to enhance integrity in the private sector.

I. THE SECTOR FRAMEWORK DOCUMENT IN THE CONTEXT OF CURRENT REGULATIONS, THE INSTITUTIONAL STRATEGY, AND INTERNATIONAL AGREEMENTS

A. The Transparency and Integrity Sector Framework Document as part of the Institutional Strategy and sector strategies

- 1.1 This sector framework document guides the IDB Group's work with countries and governments in the field of transparency and integrity, in the areas of operations, dialogue, and knowledge generation and dissemination.** This sector framework document (SFD) follows the guidelines established in the document Strategies, Policies, Sector Frameworks, and Guidelines at the IDB (document GN-2670-5). It provides general guidance for addressing the diversity of challenges and institutional contexts to which the IDB Group's 26 borrowing member countries are exposed, and also seeks to guide sector specialists with respect to challenges in policy dialogue, operational work, and knowledge generation.
- 1.2 The IDB Group has adopted a series of recommendations over the years in the area of transparency, integrity, and corruption (Box 2).¹** This SFD analyzes the contribution of the document Strengthening a Systemic Framework against Corruption for the Inter-American Development Bank (the Systemic Framework, document GN-2117-2). It also looks at the Action Plan for Supporting Countries' Efforts to Combat Corruption and Foster Transparency (PAACT 2009-2011).
- 1.3** The Systemic Framework defined the IDB Group's work in three closely related areas, with a view to: (i) ensuring that IDB Group staff act in accordance with the highest levels of integrity and that the institution's internal policies and procedures are committed to this goal; (ii) ensuring that activities financed by the Bank are free of fraud and corruption and executed in a proper control environment; and (iii) supporting programs that will help the IDB Group's borrowing member countries strengthen good governance, uphold the rule of law, and combat corruption. The first area refers specifically to the activities of the Office of Ethics (ETH). The second area relates to the fiduciary and internal control activities performed by the Office of Institutional Integrity (OII), the Operations Financial Management and Procurement Services Office (FMP), and the Office of the Executive Auditor (AUG). This SFD does not address integrity issues involving IDB Group staff, the Group's procurement policies, or other financial management measures adopted as part of the Group's fiduciary responsibilities. This SFD will focus on the third area: support to countries and governments in promoting transparency and integrity reforms.
- 1.4 The Transparency and Integrity SFD is linked to the priorities identified in the Update to the Institutional Strategy 2020-2023 (document AB-3190-2).** The Update to the Institutional Strategy (UIS) 2020-2023 states that "institutional transparency is essential for the effective delivery of public services and building an environment that encourages private sector development." The UIS indicates that the IDB Group will place special emphasis on promoting transparency and integrity as a means of strengthening institutional capacity and the rule of law, which is one of the strategy's crosscutting themes. In pursuing this objective, the UIS focuses on four spheres of action: (i) support for international standards and

¹ Boxes and tables are included in the Annex to this document.

commitments on transparency, integrity, anti-corruption, and governance; (ii) convening actors for open government and transparency while leveraging technology; (iii) further integrating transparency and integrity into operations and improving private-public sector complementarity; and (iv) enhancing IDB Group internal coordination. Consistent with the UIS, the Corporate Results Framework 2020-2023 will include an indicator to measure the Bank's support for strengthening transparency and integrity in the region's public agencies through IDB Group-financed projects.

- 1.5 **Alignment with sector strategies.** This SFD is also aligned with the Institutions for Growth and Social Welfare Sector Strategy (document GN-2587-2) and the IDB Infrastructure Strategy: Sustainable Infrastructure for Competitiveness and Inclusive Growth (document GN-2710-5). Among other measures, these sector strategies include institutional strengthening as a requirement for promoting integrity and preventing corruption. They also provide for prevention measures at the sector level, the strengthening of national control systems, access to information, and open government policies. Moreover, the Strategy on Social Policy for Equity and Productivity (document GN-2588-4) acknowledges that service delivery quality can be improved with mechanisms that facilitate transparency and accountability.
- 1.6 **Alignment with other Bank strategies.** The Transparency and Integrity SFD also takes into account the IDB Group-Civil Society Engagement Strategy (document GN-2232-6) as regards citizen participation in the transparency issues included in the Group's strategies with the countries. These documents confirm the relevance and challenges of the commitment to institutional strengthening and transparency in the region with the goal of creating an enabling environment for good governance and accountability across the various sectors of the public sphere. This SFD is also aligned with the Update to the Strategy for Strengthening and Use of Country Systems (document GN-2583-31), covering public procurement and financial management. This strategy emphasizes the need to improve good governance mechanisms with the aim of creating an enabling environment for transparency, integrity, and accountability, specifically through the use of monitoring and evaluation systems. This updated document is also aligned with the IDB Group's UIS. The strengthening of country systems means that the countries are adopting good practices and international standards to enhance transparency and integrity. This effort reinforces the crosscutting theme of institutional capacity and the rule of law.
- 1.7 **Alignment with other sector frameworks.** This SFD is also linked to other SFDs, specifically as regards the emphasis all of them place on institutional strengthening and accountability. The Integration and Trade SFD (document GN-2715-8) explicitly incorporates lines of action involving transparency and integrity measures in regulatory areas relating to trade, trade integration, and investment. Through the Integration and Trade SFD, the IDB Group, promotes the Americas Business Dialogue with the aim of fostering high-level, public-private dialogue between business and government leaders of the Americas on the region's priorities, challenges, and opportunities for economic growth and development. In 2018, the Americas Business Dialogue presented the report "Action for Growth," which includes policy recommendations and a 2018-2021 Action Plan for Growth in the Americas. Its first thematic pillar is the strengthening of transparency and integrity in both the public and private sectors. This SFD is also related to the IDB Invest

Business Plan, inasmuch as transparency and integrity are facilitators of private sector development.

- 1.8 This SFD is also linked to the Fiscal Policy and Management SFD (document GN-2831-8) and the Decentralization and Subnational Governments SFD (document GN-2813-8). These sector frameworks emphasize the need to create conditions for fiscal and financial transparency, control of expenditure, and accountability in the use of public resources, including at the subnational and local levels. The Water and Sanitation SFD (document GN-2781-8) and the Transportation SFD (document GN-2740-7) accord priority to improving the transparency and corporate governance framework of the water and transportation sectors, including mechanisms for citizen participation in monitoring. The Urban Development and Housing SFD (document GN-2732-6), and the Citizen Security and Justice SFD (document GN-2771-7) underscore the importance of strengthening internal management systems, public-sector human resources management systems that promote merit principles and improved technical skills, as well as control and accountability mechanisms. The Support to SMEs and Financial Access/Supervision Sector Framework Document (document GN-2768-7) emphasizes the importance of strengthening the regulatory framework, access to information, financial institution corporate governance, and improving the capacity to evaluate the integrity standards of their clients.
- 1.9 **Crosscutting nature of the SFD.** Corruption is a complex, heterogeneous, and constantly evolving challenge. It encompasses a variety of factors, dynamics, and linkages between multiple subjects and power brokers, organizations, and institutions at different levels. The approach of this SFD is based on the definitions set out in the UIS regarding the crosscutting character of the transparency and integrity agenda. Its lines of action take into account the public, private, and social sectors. The SFD also acknowledges that sector interventions can promote transparency and integrity reforms. Accordingly, this approach is able to respond to the transparency and integrity challenges of each country and sector.
- 1.10 **Institutional quality and transparency are crucial for service delivery, the business climate, and public trust.** In studying the relationship between institutions and growth, Ebben and de Vaal (2009) generally endorse the ideas of North (1990), for whom institutions influence economic performance. The functioning of institutions affects the way individuals interact and the degree of mutual trust. A solid institutional environment fosters trust and facilitates agreements between individuals, while weak institutions hinder economic growth. Ebben and de Vaal (2009), Rodrik et al. (2002), and other authors of this school of thought argue that the formal quality of institutions is the main factor underlying income disparities between countries. A study by UK Aid (2015) reaches a similar conclusion, indicating that the strength and effectiveness of government, social, and economic institutions shape the conditions in which corruption can prosper.
- 1.11 In keeping with the above, the approach adopted by the Transparency and Integrity SFD focuses on the role of institutional quality and transparency in reducing opportunities for corrupt behavior, rent-seeking, and other types of corruption. Importantly, the determining factors of corruption can also adversely impact government effectiveness, which is generally seen as the efficiency of expenditure and the effectiveness of public policy to increase social well-being. The evidence suggests that a lack of institutional quality adversely impacts economic growth, productivity, and public trust in government, as highlighted in the UIS. In this

context, the direct causes of corruption that are most often identified are restricted access to information, regulations that enable arbitrary or discretionary public decisions, and control institutions that are ineffective at preventing and punishing deviations from the rules.

B. The Transparency and Integrity SFD as part of international development agreements and international standards on transparency and integrity

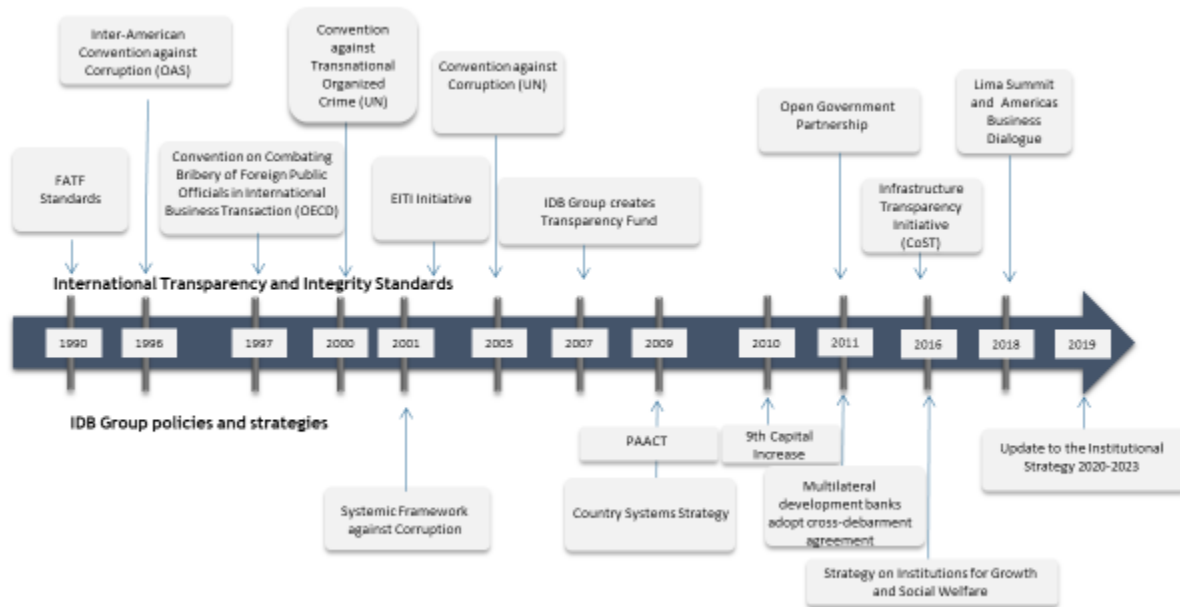
- 1.12 **This SFD is linked to the United Nations' 2030 Agenda for Sustainable Development.** One such target is to achieve a substantial reduction in corruption and bribery in all their forms, develop effective, accountable, and transparent institutions at all levels, and ensure public access to information. Sustainable Development Goal 16 refers to the issue of peace, justice, and strong institutions, and it proposes: (i) indirectly, to significantly reduce illicit financial and arms flows, strengthen the recovery and return of stolen assets, and combat all forms of organized crime; (ii) substantially reduce corruption and bribery in all their forms; (iii) develop effective, accountable, and transparent institutions at all levels; and (iv) ensure public access to information and protect fundamental freedoms, in accordance with national legislation and international agreements.
- 1.13 **This SFD acknowledges the international treaties, tools, principles, and standards adopted by IDB Group member countries in the area of transparency and integrity.** These international treaties, tools, principles, and standards are important for acknowledging the countries' political commitment to the transparency and integrity agenda. The treaties also provide a starting point for policy dialogue, and identifying specific policy reforms. The main treaties that have been adopted by IDB Group member countries are the Inter-American Convention Against Corruption—an Organization of American States (OAS) convention—and the United Nations Convention against Corruption, concluded in 1996 and 2001, respectively.
- 1.14 In 1997, the Organisation for Economic Co-operation and Development (OECD) approved the Convention on Combating Bribery of Foreign Public Officials in International Business Transactions, which several LAC countries have signed. These countries have also signed the International Standards on Combating Money Laundering and the Financing of Terrorism and the Proliferation Of Weapons Of Mass Destruction issued by the Financial Action Task Force (FATF Standards) and the OECD's Global Forum on Transparency and Exchange of Information for Tax Purposes (Global Forum Standards).
- 1.15 **The array of transparency and integrity standards extends beyond these treaties.** In addition to the aforementioned treaties and agreements, there is also a significant group of international principles and standards of a "soft-law" nature in the area of transparency and integrity.² Several of these have been developed by a combination of stakeholders in the public and private sectors and in civil society organizations. Although soft law does not have the same binding force as legislation, in practice it is used and implemented in a similar way to treaties and agreements, and therefore has a similar impact.
- 1.16 **Evaluation of compliance.** Several of these international standards have adopted mechanisms for evaluating and reporting results that allow for progress in the

² Soft-law standards take the form of principles, guidelines, or codes of conduct that do not have the formal, binding characteristics of treaties or laws.

corresponding transparency and integrity reforms to be analyzed. Examples of this type of standard include the Follow-up Mechanism for the Implementation of the Inter-American Convention against Corruption (MESICIC), the G20 Anti-corruption Working Group Action Plan, the Responsible Business Conduct and Anti-Corruption Plan of the Business 20 (B20) Summit, the Extractive Industries Transparency Initiative (EITI), the World Economic Forum's Partnering Against Corruption Initiative, the Open Government Partnership, and the international standards of the Organization of Latin American and Caribbean Supreme Audit Institutions (OLACEF standards).

- 1.17 All of these international instruments are part of a normative edifice that, combined with the associated monitoring mechanisms, has immediate and concrete consequences (Casas and Carter, 2017). These and other authors have pointed out the significant headway that the region has made with respect to institutional and legal reforms in the area of transparency and integrity. Beginning with the adoption of the OAS and UN conventions, the countries of the region have gradually adopted legislative measures aimed at improving many of the functions performed by audit institutions, developing requirements for the disclosure of assets, enacting access-to-information legislation, implementing initiatives for the modernization of public procurement systems by establishing competitive bidding processes, advancing in digital innovation and e-government systems that help reduce discretionality in administrative processes and services, and formulating political financing regulations. However, a number of authors also agree that compliance with these laws is a pending challenge, since it depends, *inter alia*, on the technical quality of regulations and the institutional capacity of the enforcement agencies (Engle, et al, 2018).
- 1.18 There are recent examples of countries that have adopted new legal instruments for investigating corruption, such as whistleblower protection programs and the criminal liability of legal persons. Some countries have begun regulating interagency cooperation, particular in the fiscal and financial areas. However, international cooperation measures for investigating corruption have been less successful. According to the Report of the Expert Advisory Group on Anti-Corruption, Transparency, and Integrity in Latin America and the Caribbean (Advisory Group Report), the main challenge is enforcement of these and other reforms that can ensure the sustainability of transparency and integrity measures. Box 3 summarizes the main international instruments in the area of transparency and integrity and the development of international standards, a process that the IDB Group has supported. [Box 3](#) below shows the development of the main international treaties, conventions, and standards, together with the policies and strategies adopted by the IDB Group in the area of transparency and integrity.

Figure 1. Timeline of the main international treaties, conventions, and standards; IDB Group policies and strategies³



Source: Prepared by the authors.

- 1.19 **The scope address everything from the prevention of corruption through its punishment.** The international regulatory framework includes a varied array of prescriptions, from preventive measures through to the investigation and punishment of corruption. The preventive measures contained in these international treaties and agreements include government ethics rules, regulation of conflicts of interest, asset declaration systems, transparent procurement mechanisms, access to information policies, and meritocratic civil service systems based on professional criteria. In the area of sanctions for corruption, these include criminal charges for domestic and transnational bribery, and measures facilitating asset forfeiture and recovery and extinction of ownership, among other things. Other international agreements promote even more specific measures, such as the FATF and Global Forum standards, which address the issues of money laundering and fiscal transparency, respectively. [Box 3](#) presents a taxonomy of the main measures included in the international standards. The international standards provide a broad roadmap and encompass themes already included in the IDB Group's current work agenda, as well as others that are not (e.g. cooperation in transnational corruption investigations).

³ The following should also be highlighted for the 2019-2020 period: (i) the Update to the Strategy for Strengthening and Use of Country Systems (document GN-2538-31); (ii) the newly revised and approved Policies for the Procurement of Goods and Works Financed by the Inter-American Development Bank (document GN-2349-15); and (iii) the newly revised and approved Policies for the Selection and Contracting of Consultants Financed by the Inter-American Development Bank (document GN-2350-15). The latter two enter into effect on 1 January 2020 and will bring important additions in the area of transparency and integrity, including the introduction of integrity as a new basic principle in procurement, modification of the definitions of prohibited practices, and other provisions aimed at improving the enforcement of laws and sanctions developed by the countries and multilateral development organizations to combat prohibited practices.

- 1.20 **International standards require countries to show that they are in effective compliance.** Several of the international standards mentioned above (FATF, OECD, and EITI) have adopted peer review mechanisms that measure the degree to which countries have implemented standards-related requirements. In their most recent version, these evaluation mechanisms require countries to demonstrate both technical compliance and the measures' effectiveness. The adoption of laws and regulations that are formally aligned with the requirements of the standards is a necessary but insufficient condition. Countries must provide evidence that the rules are being applied. In some cases (FATF, OECD), evaluation mechanisms provide for countries to be qualified as compliant or noncompliant, with consequent reputational and economic risks (Masciandaro, 2005). **The IDB Group's work focuses on reforms that promote compliance with international transparency and integrity standards.** These reforms reflect the principles contained in the OAS and United Nations conventions, as well as other transparency and integrity treaties and agreements. The IDB Group's work also supports the implementation of OECD standards on the Corporate Governance of State-owned Enterprises and Fiscal Transparency, the FATF and EITI standards, OECD administrative simplification principles, the fiscal transparency reforms deriving from the Global Forum standards, and voluntary open government commitments such as those of the Open Government Partnership.

II. KEY SECTOR CHALLENGES IN THE LATIN AMERICA AND CARIBBEAN REGION

- 2.1 Despite various advances, particularly in the areas of access to information reforms, improved procurement systems, and increasing use of technology to enhance transparency, many authors agree that the region is facing urgent transparency and integrity challenges. Recent corruption scandals have sparked massive demonstrations, the prosecution of government officials and corporate executives at the highest levels, and acute political crises (Casas and Carter, 2017). This wave of scandals is quite possibly unprecedented in terms of scale, the type of country it impacts, and the growing demands of angry citizens. In addition to the legal responses under way in many countries of the region, the markets also react to the loss of public trust stemming from these scandals, which in some cases lead to the loss of financing for investment (de Michele et al. 2018). These elements not only underscore the extent of the problem, but also the urgent need to provide solutions to these challenges. Some authors believe that a change in culture is needed to eradicate corruption, in which both internal and external actors participate. According to this line of thought, because this involves long-term processes public policies must be identified to mitigate the seriousness of the problem in the short term (Rose-Ackerman and Palifka, 2016). Before appropriate responses can be identified, the problem must first be analyzed and gauged, with a view to subsequently proposing public transparency and integrity policies that are consistent with these challenges. The following sections offer a characterization of corruption that can help move forward in that direction.

A. Types of corruption

- 2.2 **Corruption is defined as an abuse of authority by a public official for private gain.** This is not the only definition in use. The definition put forth by Malem (2012) is broader, encompassing "those who take advantage of their position in a relationship, organization, or institution and violate their duty with a view to obtaining illicit gains, be it in the public or private sector." Corruption is "a two-way

street, and in order for corruption in public service to exist, a corrupting counterpart must also exist, whether a citizen or businessperson who is prepared to maintain that relationship” (Arellano et al., 2012). Some definitions include corrupt practices between private-sector actors, such as supply chain fraud, the falsification of records, and other types of corruption specific to the private sector (Laufer, 2006).

- 2.3 **Another way of categorizing types of corruption is by magnitude.**⁴ Petty, or administrative corruption refers to the corrupt practices of low-level officials, such as asking for small-scale bribes to perform their work or failing to act as required by law. These practices affect individuals, companies, and businesspeople when they undergo basic administrative procedures such as obtaining licenses and permits, or when they avoid fines for minor infractions. Grand corruption relates to corrupt practices involving high-level officials and significant amounts of public resources. Examples of this type of corruption are the payment of bribes to manipulate economic regulations or to obtain undue benefits in important transactions with the public sector. While developing a scale to measure the seriousness of the types of corruption is no easy task, it generally involves the application of economic criteria, making it possible to assign approximate values with a certain degree of objectivity.
- 2.4 **Corruption in Latin America and the Caribbean has contextual features and the situation is varied.** Some countries of the region score well on transparency and integrity indices. In those countries, corruption is the exception and typically manifests in occasional scandals. When corruption arises, the consequence is generally to punish those responsible and introduce policy reform to prevent similar cases. In most countries of the region, however, corruption is a serious problem and has structural features.
- 2.5 Grand corruption often coexists with petty corruption relating to bureaucratic procedures and permits. Grand corruption involves the capture of the public sector by special interests and powerful groups to extract illicit rents. In extreme cases, organized crime may be involved, focused on activities such as drug and human trafficking and the illegal extraction of natural resources, as well as urban crime focused on extorting citizens, public transportation operators, and small business.

B. Measuring corruption

- 2.6 **Measuring corruption and its effects is challenging, but academic studies can support this task.** This section describes the challenges in measuring corruption and provides figures from the main indices in the field to give an indication of the scale of the problem in LAC. It also identifies a series of studies that confirm the adverse impact of corruption on development, the economy, and society.
- 2.7 **Measuring corruption is a serious challenge.** As indicated in a United Nations Development Programme document that describes the conventional methods of measuring corruption (UNDP, 2015, [Box 4](#)), corruption is concealed and difficult to measure accurately. For example, perception-based indicators draw on the opinions of individuals and are therefore independent of the acts of corruption and even the measures for addressing them. This challenge has not been resolved, despite significant academic efforts in recent decades. The main consequence of

⁴ See [Box 1](#) for the main conceptual definitions in the area of corruption, together with the classifications generally used in academia and public policy.

this limitation is the difficulty of measuring progress in the area (Kaufmann, 1997; Kaufmann et al., 2007; Johnsen et al., 2012). However, as the UNDP report suggests, proxy indicators can be used, making it possible to identify the institutional features necessary to control corruption. This entails measuring the quality of institutions, access to information, and responsibility and integrity in government, including the quality and effectiveness of legal frameworks, policies, and the attitudes and intrinsic values of public officials.⁵

- 2.8 **Academics, national authorities, international organizations, and think tanks have all adopted perception indices.** Despite the aforementioned challenges, the use of indices based on subjective data is an accepted approach to analyzing the problem. The most widely recognized of these is the Corruption Perceptions Index that Transparency International has been publishing since 1996. It measures corruption perceptions in countries on a scale of 0 to 100 (0 being very corrupt and 100 very honest), and is based on various types of surveys. Transparency International also produces the Global Corruption Barometer, which measures citizens' perceptions of corruption.
- 2.9 **The World Governance Indicators (WGI) are another valuable resource.** The WGI contain data on 212 countries, including the IDB Group member countries. In contrast to the Transparency International index, the WGI provide information that facilitates the identification of more concrete aspects of governance and transparency. The WGI measures six dimensions of governance: (i) voice and accountability; (ii) political stability and absence of violence; (iii) government effectiveness; (iv) regulatory quality; (v) rule of law; and (vi) control of corruption. Lastly, the International Monetary Fund (IMF) uses these indicators in its Article IV exercises, including the control of corruption measurement.
- 2.10 The Latinobarómetro Corporation produces the annual Latinobarómetro study, which measures the problems that are most important to citizens in LAC, including faith in democracy and corruption. The Global Competitiveness Index of the World Economic Forum (WEF) measures a country's competitiveness in terms of 12 key variables. These include specific types of corruption, such as the misappropriation of public funds, bribery, and favoritism by public officials, as well as other variables such as the time and procedures necessary to start a business.
- 2.11 The International Country Risk Guide (ICRG) produces 22 indicators, including measurements of government stability, public order, ethnic tensions, democratic accountability, internal conflicts, and external conflicts. These are grouped into three subcategories of risk: political, financial, and economic. This analysis focuses on the control of corruption indicator, which has been available for 138 countries since 1984. The ICRG corruption indicator is one of the 12 components of the ICRG political risk indicator. This index is widely used by risk ratings agencies and private investors.
- 2.12 **Other indices have been published recently.** An IMF study (Hlatshwayo et al., 2018) constructed an index using large volumes of data from news on corruption. There is a strong correlation between this index and those of Transparency

⁵ The UNDP report (2015) on corruption indicators states that reforms such as those promoting access to information can be measured with indicators that determine the absence or presence of a law guaranteeing that right, and whether an agency is in place with the power to guarantee that right. Indicators of this type can verify progress more accurately than perception indicators. The report also states that some forms of petty corruption—small bribes—can be measured with a greater level of accuracy.

International, the WEF's measurements of institutional quality, and the WGI's control of corruption dimension. In 2019, the Americas Society and Council of the Americas developed the Capacity to Combat Corruption Index. It covers, *inter alia*, eight LAC countries based on a survey of experts, academics, civil society representatives, and the private sector. The index seeks to measure effectiveness in uncovering, punishing, and deterring corruption, and its main finding is that there are important variations across the selected sample of countries. [Box 5](#) presents other relevant indices, e.g. Doing Business, the Standard Cost Model, and the Consumer Satisfaction Index. Despite the differences between the indices discussed above, there is general agreement on the results of corruption measurements in each country.

- 2.13 According to the UNDP (2015), the available indices give different stakeholders access to more complete and rigorous data on transparency, integrity, and corruption. This has allowed the design of more effective policies and regulatory instruments aimed at tackling the roots of corruption. Despite this progress, however, the challenge remains of how to precisely quantify the cost and impact of corruption at the local and international levels. One of the obstacles to measuring corruption is the secret nature of corrupt dealings. The other is the great variety of forms that corruption can take. These two features mean that a single index or indicator cannot capture the problem. The UNDP's work proposes possible ways of overcoming these constraints, including knowing what needs to be measured and for what purpose, using mechanisms that complement the indicators, and keeping the focus on phenomena that are easily observed, using methods of low complexity. The information presented in the following boxes point to possible correlations and is therefore not appropriate for drawing causal inferences.

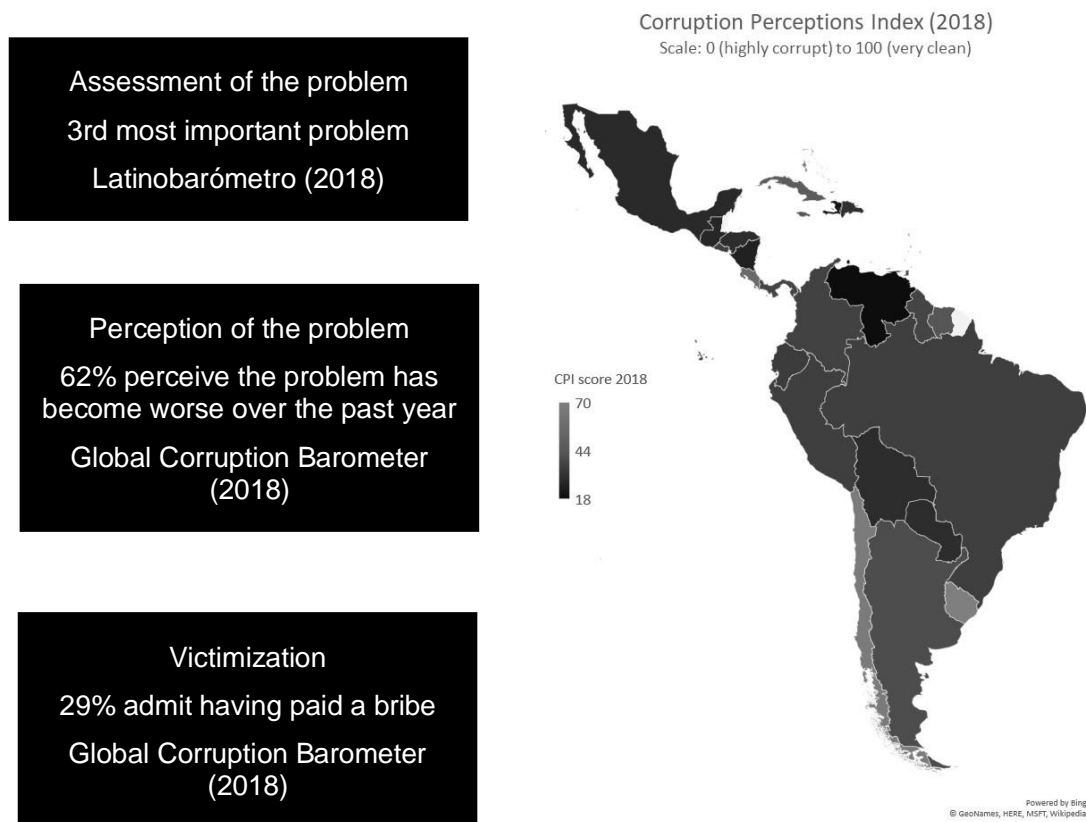
C. Main results of the transparency and integrity indices

- 2.14 **The main indices all point to high levels of corruption in LAC.** Transparency International's 2018 Corruption Perceptions Index showed an average score of 44 out of 100 for the Americas, where "any score below 50 indicates that governments are failing to make serious inroads against corruption" (Transparency International, 2017). Transparency International's Global Corruption Barometer (2018) also shows that one in every three Latin Americans pays bribes to access public services such as education, health, or justice, with the police and politicians ranking as the most corrupt actors. Most of the indexes reflect the seriousness of the problem in the region.
- 2.15 According to the WEF's Global Competitiveness Index for 2017-2018, corruption is one of the main factors affecting the region's business climate, together with government bureaucracy. According to the Latinobarómetro perceptions index (2018), corruption is the third most significant problem affecting LAC countries, after economic problems and crime, although corruption is also linked to these two problems. According to the World Bank report Doing Business 2020, none of the region's countries rank in the top 50 economies on the ease of doing business. In the WGI's control of corruption dimension, LAC countries score an average of 1.2 (on a scale of -2.5 to +2.5), which is lower than the OECD countries. [Box 6](#) presents a table of the main transparency and integrity indices for LAC by country.⁶

⁶ As can be seen from the aforementioned box, some indices lack data for the Caribbean countries.

Figure 2 below provides an overview of LAC's most recent average results for the indices and indicators discussed above.

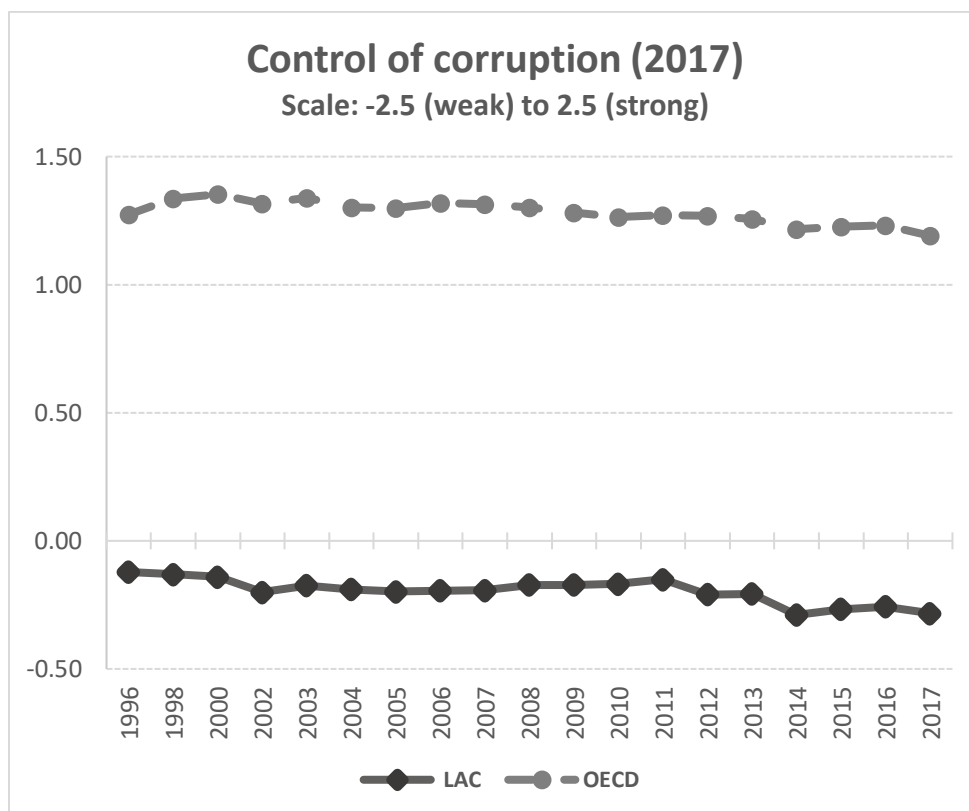
Figure 2. Overview of average results for LAC



Source: Latinobarómetro and Global Corruption Barometer.

- 2.16 **Governance indicators also show poor performance.** According to Engel et al. (2018), WGI data for LAC indicate that the average score for the region is below the world average in respect of all governance indicators except voice and accountability. The region's score is particularly poor in the rule of law dimension (defined as confidence that the authorities will follow the law), as well as in the dimensions of personal safety and common crime. The quality of governance in LAC is below that of other middle-income countries. In terms of the control of corruption, the region is also behind when compared to others of similar income levels, with the gap apparently widening as time passes.
- 2.17 **The control of corruption is weak.** The WGI published in 2018 shows that LAC countries perform poorly in the control of corruption dimension when compared to the OECD countries (see Figure 3). This index is based on perceptions and does not allow for identification of the specific institutions that are failing in the control of corruption. Nonetheless, the results of this index are consistent with the information provided by the Americas Society/Council of the Americas index mentioned above.

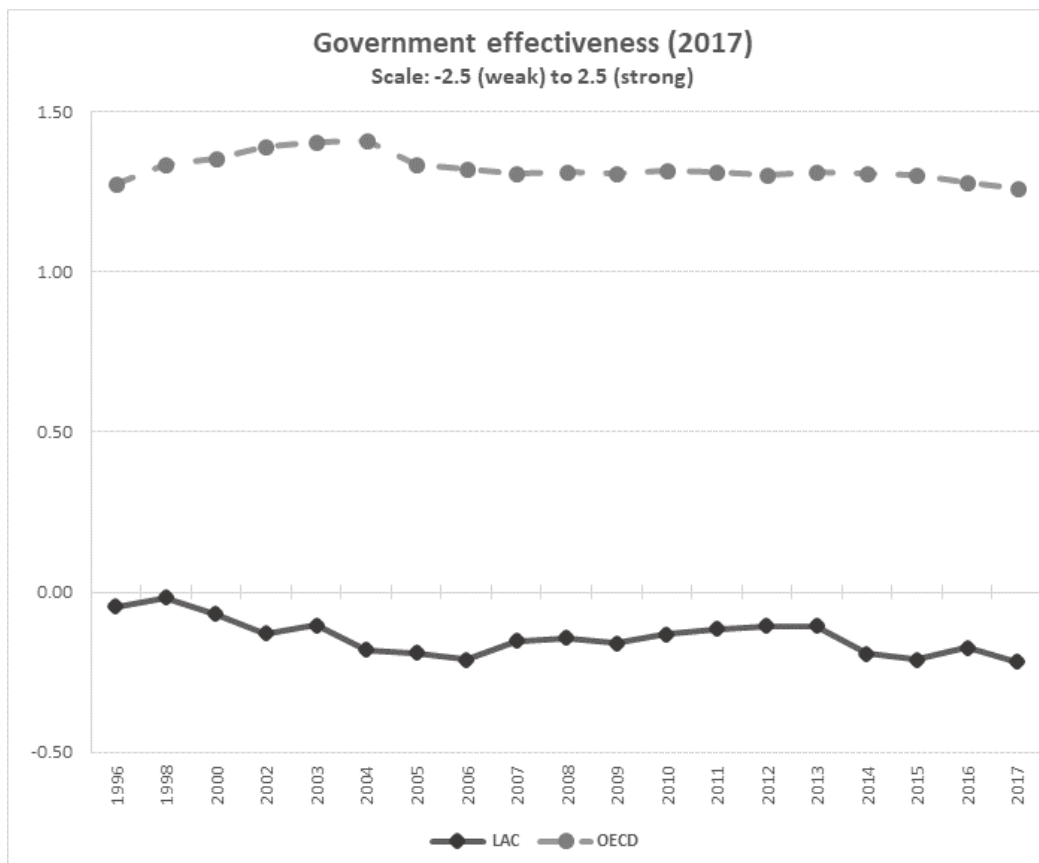
Figure 3. Comparison of the control of corruption indicator, LAC and OECD countries.



Source: Data from LAC and OECD countries, and WGI (2017).

- 2.18 **Institutional weaknesses exacerbate corruption.** Institutional failings and weaknesses provide a breeding ground for corruption and reduce the incentives for those in power to respect the law, provide public services in an efficient manner, and foster private investment. This, in turn, undermines economic development and the legitimacy of the State. In an analysis of corruption, State legitimacy, and the rule of law in Latin America and the Caribbean (19 countries) and Central and Eastern Europe in the 2004-2005 period, Andreev (2008) found a negative correlation between the quality of democracy and levels of corruption. At the same time, Zhuang et al. (2010) examined the quantitative links between the six WGI dimensions and growth and inequality in developed and less-developed Asian countries, finding that government effectiveness, rule of law, and regulatory quality are strongly correlated with economic development (see paragraph 2.31).
- 2.19 **The LAC countries are behind those of the OECD in terms of government effectiveness.** According to measurements by this international organization, the LAC countries have scored below their OECD peers over the last 20 years, as shown in the Figure 4 below.

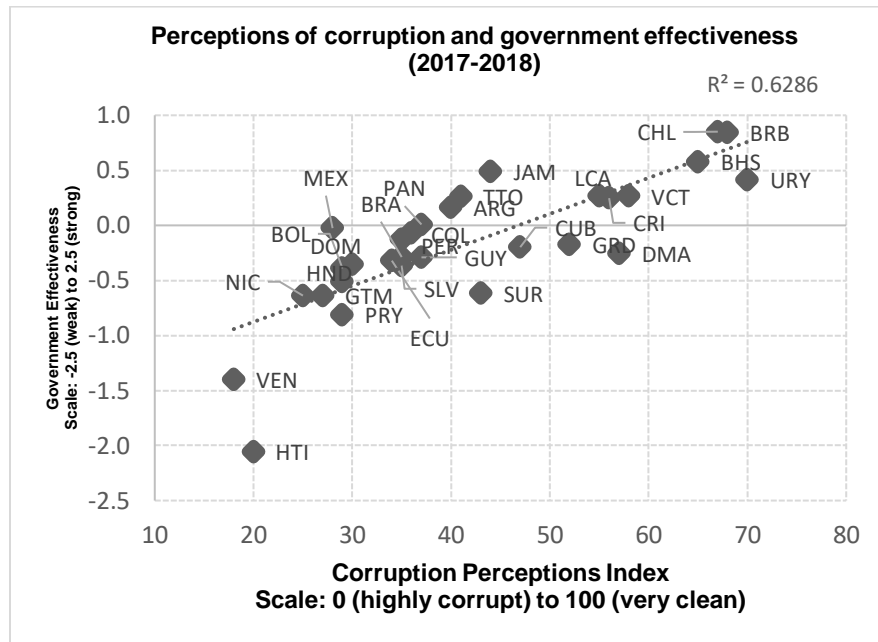
Figure 4. Comparison of the government effectiveness indicator, LAC and OECD countries



Source: Data from LAC and OECD countries, and WGI (2017).

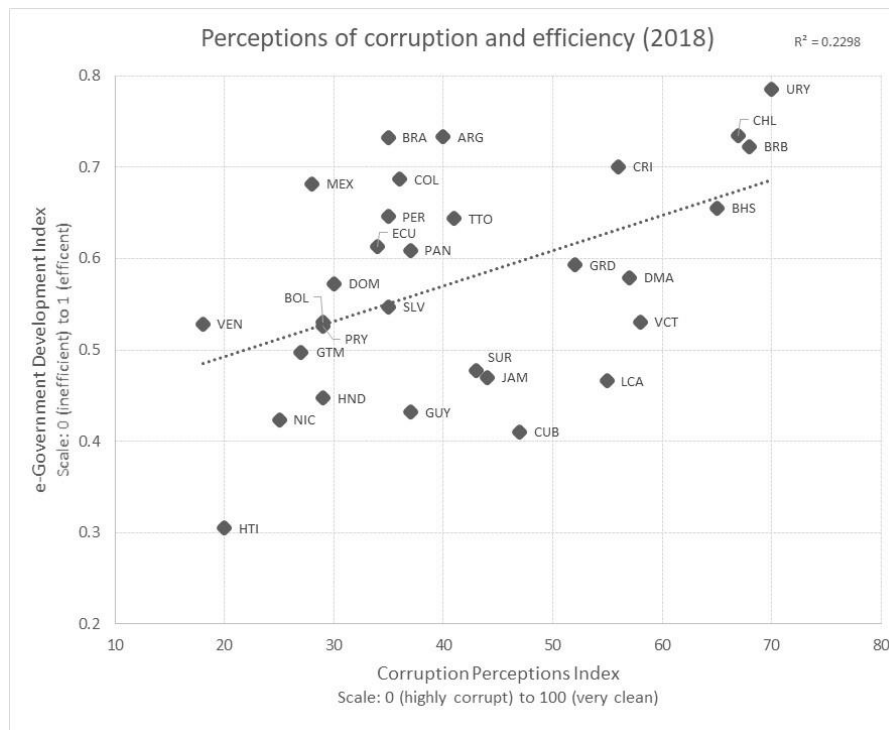
2.20 **Perceptions of corruption are correlated with the level of development and effectiveness of electronic government.** At the same time, the results of the indices discussed here may be analyzed to identify relationships between basic dimensions of public management. In the LAC countries, for example, there is a correlation between the highest perceptions of integrity (lower corruption) and greater effectiveness and development in electronic government, as shown in Figures 5 and 6. One of the promised outcomes of electronic government is an increase in the productivity of public organizations and the effectiveness of the processes and actions of government entities (Heintze and Bretschneider, 2000; OECD, 2003b). Electronic government policies are also associated with greater efficiency and fewer opportunities for the capture of rents, which stand in contrast to processes where paperwork is submitted in person (Roseth et al., 2018). This correlation demonstrates, firstly, the importance of digital government in eliminating opportunities for corrupt behavior. It also shows that governments that take advantage of digital tools to improve public welfare usually exhibit lower tolerance of corruption.

Figure 5. Correlation between perceptions of corruption and government effectiveness



Source: Data from LAC countries, Transparency International (2018), and WGI (2017).

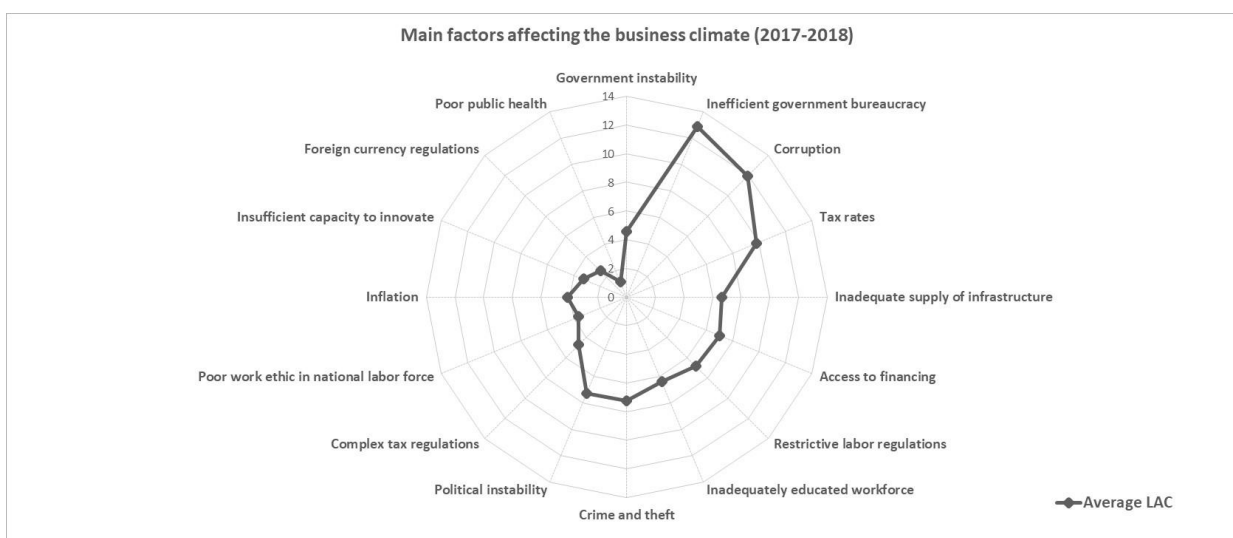
Figure 6. Correlation between perceptions of corruption and the electronic government index



Source: Data from LAC countries, Transparency International (2018), and WGI (2017).

- 2.21 The WEF's Global Competitiveness Report for 2017-2018 concurs with the IMF's view (2016) that government bureaucracy and corruption have been the main factors affecting the business environment in LAC. According to this report, these factors discourage investment by creating additional costs for businesses. At the same time, this situation erodes profitability in the private sector—a critical variable in decisions to start a business (Chêne, 2017). Economic studies of the costs and impact of corruption over the last two decades (Box 7) agree on the adverse impact of this problem. The Doing Business 2020 report states that opportunities for corruption exist where regulations are excessive or defective, as this situation unnecessarily increases interactions between the public and private sectors.⁷ Figure 7 shows that corruption and bureaucracy are the two main factors affecting LAC's business climate. Estimates from prior years yield similar results. Obviously, reducing bureaucracy or eliminating regulations are not solutions to the problem of corruption; in some cases, these actions could in fact exacerbate the problem.

Figure 7. Main factors affecting the business climate in LAC



Source: Data from LAC countries, WEF Global Competitiveness Report (2017-2018).

- 2.22 **Corruption also discourages the payment of taxes and weakens the government's ability to collect them.** An international analysis by the IMF (2016) found a negative correlation between average corruption perception scores in the 1995-2014 period and levels of tax revenue, as well as between average corruption scores in the 2005-2014 period and value-added tax collection.
- 2.23 **Corruption, inefficiency, and government ineffectiveness are interrelated.** The weaknesses and failings in institutional frameworks that could encourage corruption can also lead to falling revenue, the improper use of public resources, and lower quality public services. According to the IMF (2019), institutional reforms to reduce corruption could generate around US\$1 billion annually in fiscal revenue or 1.25% of global GDP. While reducing corruption is a challenge, it can yield

⁷ According to this study, countries with lower regulatory burdens have better averages for the corruption perception indicator on transparency and integrity.

substantial benefits: countries that significantly reduce corruption experience sudden increases in fiscal revenue.

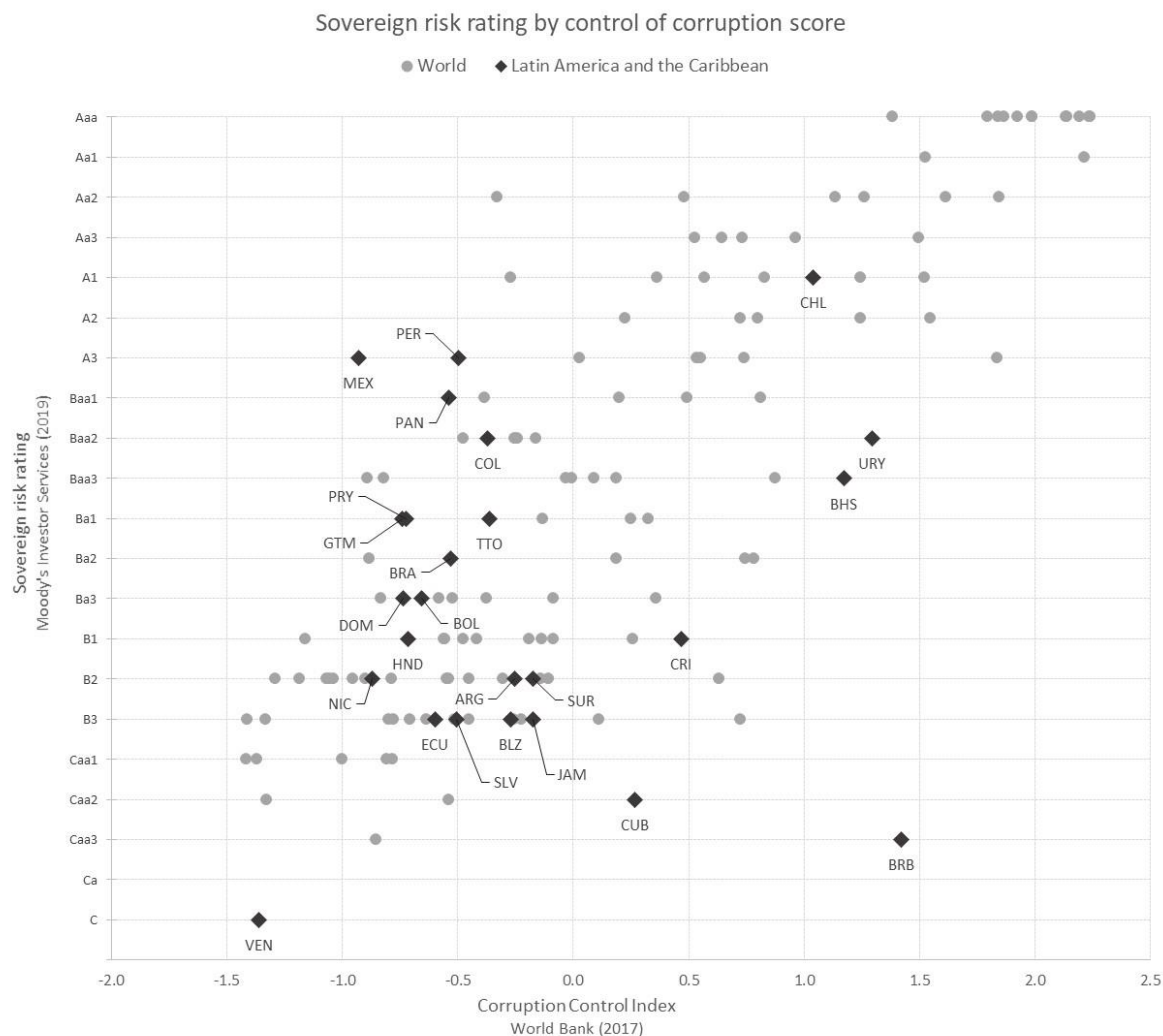
- 2.24 The IMF study also found that countries with better scores in the control of corruption collect significantly more revenue than those with lower scores. Such is the case of Georgia, where a new government in 2003 launched an aggressive campaign to reduce corruption with strong political backing. The result was that fiscal revenue rose from 12% of GDP to 25% in the space of five years (Mauro et al., 2019).

D. Corruption, impacts, and consequences

- 2.25 **The results of the indices are corroborated by the academic literature.** The results of the main transparency and integrity indices are complemented by studies that deepen the analysis of the characteristics of corruption, its negative impacts, and possible ways of solving the problem—particularly institutional capacity, transparency, and integrity.
- 2.26 **The role of institutions.** There is an extensive body of academic literature that explores the relationship between the quality of institutions and corruption. According to this literature, weaknesses in the design and operation of institutions create incentives for corruption. This approach argues that the factors that determine corruption are regulatory quality, low levels of transparency, and the weak effectiveness of control mechanisms. Adding to these factors are deficient systems for managing financial, material, and human resources, such as mechanisms that select and promote officials based on their political affiliation or family relationships, or that offer inadequate salaries.
- 2.27 This type of dysfunction facilitates the capture of rents by unscrupulous officials, while also undermining public confidence in the government and creating fresh incentives for illegal behavior. Accordingly, authors such as North (1990) and Warren (2004) advocate institutional reforms that enhance the legitimacy of public decisions and reduce incentives for corruption. Authors such as Levi (1998) and Rose-Ackerman (1978) place particular emphasis on the design of bureaucratic decision-making processes as a factor in ensuring that government is transparent and fair.
- 2.28 **Corruption undermines all dimensions of development.** The academic literature has widely documented the negative impact of corruption on both investment (which is critical for growth) and the provision of services (which are key for inclusion). With the creation of national databases in the 1990s, the first statistical and econometric studies were conducted to estimate the impact of corruption on growth, investment, and trade (Mauro, 1995; Kaufmann et al., 1999). The conclusion in all cases was that the impact is negative.
- 2.29 Some studies also identified the relationship between corruption and productivity at the country level, such as Lambsdorff (2003) and De Rosa et al. (2010). Around the same time, more targeted studies of anti-bribery laws (Cuervo-Cazurra, 2007) and trust in institutions (Seligson, 2002) appeared. The negative correlation between corruption and development is also identified in the UIS, the Report of the Expert Advisory Group on Anti-Corruption, Transparency, and Integrity in Latin America and the Caribbean, and the recently published Development in the Americas 2018 report.

- 2.30 **Corruption adversely impacts investment.** In one of the first studies of the relationship between corruption and investment, Mauro (1995) observed that corruption acts as a disincentive to investment by reducing profitability, increasing uncertainty, and endangering companies' reputations, thus creating additional costs for business. Keefer and Knack (2005) showed that public investment in infrastructure is "dramatically higher in countries with low-quality governance and limited political checks and balances or no competitive elections." These authors showed that the quality of investment is lower, concluding that in the presence of weak institutional frameworks, governments use public investment as a means of increasing rent-seeking. Consistent with these analyses, Avellan et al. (2018) conclude that where institutions are effective in controlling corruption, the returns on public investments are higher.
- 2.31 **Corruption affects foreign direct investment.** Gani (2007) has identified a positive correlation between foreign direct investment (FDI) and governance indicators such as the rule of law, control of corruption, and regulatory quality. In contrast, in countries with high levels of corruption, entrepreneurship is suppressed and business activities are redirected to other, less productive areas, thus affecting competition and technology transfer. According to Javorcick and Wei (2009), companies from developed countries avoid investing in countries with high perceptions of corruption.
- 2.32 **There is a correlation between corruption and sovereign risk ratings.** The evidence in the previous paragraph shows that investors take into account the risks posed by countries with poor transparency and integrity indicators. A 2017 study by Panizza (subsequently updated by Araki and Panizza, 2019) revealed a strong correlation between three corruption indicators and the ratings issued by the main risk rating agencies—Standard and Poor's, Moody's, and Fitch. Financing costs also tend to increase after a series of scandals, particularly where that information is incorporated into the evaluations of the risk rating agencies.
- 2.33 Ciocchini et al. (2003) and Copelovitch et al. (2015) found that higher levels of corruption translated into higher risk premiums in emerging markets. These studies are important for two reasons. First, they confirm the mechanism by which the information from corruption indicators is incorporated into the sovereign risk ratings issued by these agencies. As Panizza explains, this dynamic and the corresponding correlations are present even though each agency uses a different methodology. Second, these studies show that measurements of corruption—irrespective of their limitations—have a financial and economic impact in countries with lower integrity ratings. They also make it possible to infer that this dynamic is present in countries outside LAC with similar problems.

Figure 8. Correlation between Moody's sovereign risk rating and control of corruption score.



Source: Panizza (2017), WGI (2017), and Moody's (2019).

2.34 **Corruption has adverse consequences for the education and health sectors.**

A variety of studies provide evidence regarding the extent of corruption in different sectors. In education, Reinikka and Svensson (2004) conducted a survey of schools in Uganda, concluding that only 13% of a national subsidy actually reached primary schools and that the rest had been captured by local officials and politicians. Using data from local government audits, school infrastructure data, and surveys of schoolteachers and principals in Brazil, Ferraz and Finan (2011) concluded that there was a significant negative correlation between corruption and student scholastic performance at the primary level (failure and dropout rates). Savedoff (2007) found that if rates of abuse in other countries are extrapolated to Latin America and the Caribbean, then US\$28 billion is likely being stolen or diverted each year from its intended use in providing health services.

- 2.35 **Various studies confirm corruption's impact on the infrastructure sector.** There is a consensus that inefficiency in infrastructure project management leads to significant additional costs, although it is difficult to identify and quantify how much of this can be attributed corruption. A World Bank study (2009) suggests that transaction costs associated with corruption range from 5% to 20%. Paterson and Chaudhuri (2007) have estimated that annual losses due to corruption in the transportation sector in developing countries could be as much as US\$18 billion. The OECD (2013) estimates that between 20% and 30% of the value of a project is lost to corruption. As regards the water sector, while there are no reliable estimates of total losses, it is estimated that each 10% of investment lost due to corruption involves annual losses of more than US\$75 billion to the sector, with some calculations pointing to much higher potential losses (Water Integrity Network, 2016). The Development in the Americas 2018 report provides additional estimates of significant corruption-related losses in the infrastructure and other sectors. The impact of corruption also depends on the extent to which it effects competition in the sector, as shown in a study by Campos et al. (2019), which found that the objective of illicit payments in major infrastructure works may also be to capture greater market share for companies engaging in these practices.
- 2.36 **State-owned enterprises and integrity risks.** According to the OECD (2019), the economic presence of State-owned enterprises is growing at both the national and international levels. Their activities encompass a variety of sectors, including a number with strategic importance, such as the extractive industries, transportation, energy, finance, and services. Like other public entities, State-owned enterprises face governance and integrity challenges. An OECD survey of integrity in State-owned enterprises in eight Latin American countries and the OECD nations (2017b) revealed that 43% of those surveyed reported witnessing at least one instance of improper practices over the last three years. These practices include bribery, abuse of authority, conflicts of interest, and nepotism.
- 2.37 **Studies suggest that corruption and lack of trust are mutually reinforcing.** According to Reisman (1981), corruption creates a situation in which informal institutions are the most effective means for obtaining goods and services, and this further fuels corruption and distrust. Rose-Ackerman (2001) argues that in democratic societies, there is an expectation that individuals will behave honestly and will be rewarded for speaking the truth. Corruption, as dishonest behavior, violates the trust placed in public officials and ultimately affects the rule of law.
- 2.38 **Corruption also has an indirect impact on development, in the form of its impact on trust.** Studies by Mauro (1997), Dreher and Herzfeld (2005), and Bird et al. (2008) all agree that corruption leads to a loss of trust in public service providers. With regard to the importance of trust for development, Zak and Knack (2001) have suggested there is a positive correlation between public trust, investment, and economic growth. Rothstein and Eek (2009) have also explored the negative correlation between corruption and trust. The G20 Anti-corruption Working Group (OECD, 2015a) and studies reviewed by UK Aid (2015) emphasize the relationship between corruption and public trust in government. A recent IDB study coordinated by Pareja et al. (2016) identifies a possible link between perceptions of corruption and the quality of service delivery to citizens.
- 2.39 **Large-scale corruption scandals further erode trust in institutions and increase transaction costs.** Corruption scandals have particularly detrimental effects. The region has been shaken over the last decade by a series of such

scandals (Balán, 2011; Casas and Carter, 2017) relating to the illicit financing of political activity, which is often linked to contracts for large infrastructure works (Campos et al., 2019). According to an IDB Group study, corruption cases, combined with inadequate legal responses, have led to a paralysis in infrastructure investment and substantial economic losses (de Michele et al., 2018). This study argues that the annulment of public contracts as the sole response to corruption cases can lead to interruptions in the chain of payments, supplier bankruptcy, the massive termination of workers, and also exacerbate social distrust of government authorities.⁸

- 2.40 **Corruption fuels other crime, such as tax evasion and asset laundering.** Over the 2004-2013 period, developing countries and emerging economies lost US\$1.5 trillion due to illicit flows, according to a report by Global Financial Integrity (2015). Arruda and Farias (2014) examined the reasons countries accept illicit money flows and estimated the cost of these types of transactions. Based on an analysis of 36 LAC countries in the 1960-2010 period, they concluded that the countries with the weakest institutional performance (including asset laundering indicators) showed negative effects in terms of a lower level of domestic and foreign investment as a percentage of GDP. Authors such as Masciandaro et al. (2007), Unger (2007), and Chong and López-de-Silanes (2007) argue that in a context of growing globalization of economic and financial activity, asset laundering can amplify these risks and distortions. Countries with less-developed financial systems or lax supervision of capital flows can suffer adverse consequences that extend beyond their financial and economic systems. The maneuvers used in asset laundering, especially those linked to tax evasion, are detrimental to the poorest nations (Official Norwegian Reports, 2009). Specifically, there are studies that confirm how the most serious schemes affect the financial system, which later extend to the rest of the economy (Masciandaro, 2007; Platt, 2015).
- 2.41 **State capture is a challenge for democratic governance.** In 2018, the Office of the President of the IDB Group formed an advisory group of experts to provide opinions on the most recent trends in transparency, integrity, and the fight against corruption. The result of this group's work was the Advisory Group Report (Engel et al., 2018).⁹ According to experts, the recent scandals that have affected a number of the countries in the region show that corruption threatens to erode the foundation of much of the region's economic well-being, political stability, and the rule of law. According to that report, some of the region's countries face a more accentuated form of corruption, known as state capture. The authors state that in such situations, connections between political power groups and economic ones often undermine sound policy formulation and the rule of law, strengthening impunity and diverting public funds and investment intended for the common good.

⁸ The authors recommend a proportional response to corruption, but do not discard the option of declaring contracts null and void as a resource of last resort. They advocate for a combination of personal and material sanctions as well as preventive measures (e.g. compliance programs) which, as appropriate, allow the project to continue with the contract remaining valid for parties unrelated to the illicit act, taking into account the public interest.

⁹ Within a short time of its publication, the Advisory Group report received positive reactions from specialists in the area, such as Beth Noveck ([Innovations in the Fight against Corruption in Latin America](#)), Richard Messick ([The Global Anticorruption Blog](#)), and the Congressional Research Service (2019).

- 2.42 The aforementioned report indicates that recent court cases have exposed corruption networks that connect elites to the highest levels of government and business (even at the transnational level), as well as the degree to which the line between public policies and politics has been blurred to create a type of state capture. The problem, according to the report, is that inequalities in economic power are reflected in an unequal ability to influence policy. Other authors who have studied the capture of regulations and public policies concur on this point, even in the case of developed political systems (Carpenter and Moss, 2014). In the same vein, the Human Development Report 2019 identifies the linkage between the most serious crimes mentioned in paragraph 2.40 and their linkage to the unjustified accumulation of wealth (UNDP).
- 2.43 **Corruption and policy.** Corruption and policy have many linkages. Authors such as Johnston (2005) and Reisman (1979) recommend taking into account how each society administers and distributes power and wealth as a way to understand the relevant linkages. According to the authors, these factors determine the prevailing type of corruption. Johnston shows that his analysis is applicable to the institutional and economic dimensions of developing countries. Reisman, in turn, warns of promoting anticorruption legal reforms to cover appearances, which he calls *lex simulata* or *lex imperfecta* reforms. Other authors analyze policy crises that result from transparency and integrity reforms. For instance, Dix et al. (2012) state that while reforms can trigger a crisis in the short term, reforms that are properly implemented can help restore political stability in the medium term. Still others maintain that corrupt governments can be successful in maintaining public support (Manzetti and Wilson 2007). As some of the authors cited here have noted, this paradoxical situation need not be irreversible (Rose-Ackerman, 1999). A recent study, for instance, confirms the value of incremental, technically robust reforms as a viable option for mitigating the so-called corruption trap. The “trap” refers to the situation in which corruption continues to exist despite the implementation of properly designed integrity reforms. The implementers of these reforms wind up paying a political cost since the problem can be blamed on their management (Stephenson, 2019).
- 2.44 **Risks associated with specific types of public procurement.** There is an abundant body of literature on the integrity risks inherent in public contracts, especially in the infrastructure sector (Kenny, 2007; Knack et al., 2017; Development in the Americas, 2018). This is also the case in the health and education sector (IMF, 2000). One challenge for public officials involved in procurement processes is how to prevent conflicts of interest (García-Mexía, 2001). Specific policy measures can be taken to address the problem (OCDE, 2003; de Michele and Dassen, 2018). Another problem that has traditionally been linked to public procurement are constraints on access to information, which can be resolved with reforms applicable to the entire procurement based on targeted transparency, standardized regulations, and the increasing use of digital technologies (Open Contracting Partnership, 2015). Combining these measures reduces information asymmetries while enhancing transparency. Other risks are related to specific types of procurement; for instance, the literature identifies risks that are specifically linked to public-private partnerships (Yescombe, 2007; Iossa and Martimort, 2011; and Blidfell, 2018). The risks associated with such contracts can be mitigated with design and institutional capacity measures (Davis, 2009; Prats, 2016) with a view to ensuring appropriate governance, transparency, and integrity.

- 2.45 **Corruption and inequality.** Corruption and inequality have been analyzed by academia. Corruption disproportionately affects the poorest of the poor. Ferraz, et al. (2012) show that corruption reduces the quality of public education in Brazil, which is overwhelmingly used by the low-income population. Other authors, such as Niehaus and Sukhtankar (2013), show that in countries like India, when corruption is present wage increases for the poor tend to be below the statutory minimum. A correlation exists between corruption indicators and income inequality indicators. One group of authors show that in countries with high levels of corruption, inequality and poverty increase (Gupta et al., 1998 and 2002; Gyimah-Brempong, 2002). Drawing on transparency (Transparency International) and governance indicators, other authors show that income inequality increases corruption, since the rich and powerful have more means to facilitate corruption. They find the rich and powerful can use their resources to bend the law to their advantage and even ensure they are not prosecuted by the courts for irregular acts (Khagram and You, 2005). These findings are consistent with those of other authors cited in this SFD in the context of regulatory capture. They also echo the correlation between corruption and inequality in the most recent Human Development Report (UNDP, 2019).
- 2.46 **Crisis as opportunity.** The sense of urgency of the problem of corruption was mentioned at the beginning of this section. As stated in the Advisory Group Report, a multilateral development institution such as the IDB Group, thanks to its leadership, experience, and resources, is well-positioned to become a key partner to support the countries in implement transparency and integrity reforms under these circumstances. The Advisory Group Report also offers suggestions regarding the priority actions considered in this SFD, especially those addressed in Section V, Lines of Action for Work in the Sector.

III. EVIDENCE REGARDING THE EFFECTIVENESS OF SECTOR POLICIES AND PROGRAMS

A. Prevailing theoretical frameworks

- 3.1 **Explanations of corruption.** There are multiple theories regarding the phenomenon of corruption, from initial studies by Banfield (1958), Huntington (1968), Nye (1967), and Noonan (1984) to the analyses of Becker (1968), Schelling (1984), Reisman (1979), North (1990), Olson (1965), Johnston (2005), della Porta and Vannucci (1999), Rose-Ackerman (1999), and Klitgaard (1988), among others. There is a body of literature that specifically analyzes the problem in LAC; for example, Etkin (1994), López-Presa (1998), Nino (2005), Balán (2011), and Casas and Carter (2017), among others. These explanations have covered the topic from a variety of perspectives, including the historical, cultural, moral, institutional, and economic perspectives. This section presents the two theories that have been most widely recognized and have had the greatest impact in recent years. It also analyzes the main reforms associated with each of these dominant theories and identifies opportunities for supplementing existing knowledge.
- 3.2 **Two prevailing explanations.** Institutional weakness and corruption go hand in hand. Two complementary theories explain this relationship. The first is the collective action theory (Olson, 1965) and the second is the principal-agent theory (Klitgaard, 1988). The collective action theory focuses on the difficulties that individuals face in acting in a cooperative manner. In terms of corruption, the theory indicates that it is only by acting collectively that citizens can replace dishonest leaders or spur the creation of institutions to reduce corruption.

- 3.3 Another consideration relates to situations in which corruption (or any other illegal act) is the norm. In principle, all citizens benefit from a consensus that no bribes should be paid. Individually, however, there may be an incentive to diverge from the consensus as long as others comply with the law. This is known as the “free rider” problem (Kingston, 2008; Johnston, 2005). Businesspeople would prefer not to pay bribes to win a bidding process, but this behavior also requires consensus and coordination among them so that none take the initiative individually (Kingston, 2007). Although citizens and business sectors as a whole would benefit from having honest leaders and public institutions that control corruption, these reforms would require coordination and cooperation between them, which comes at a cost.
- 3.4 **Information and transparency play key roles in collective action theory.** The problem of collective action relates to trust (Ostrom, 1998): it requires trusting that others will contribute to the effort to find honest leaders and will be willing to comply with the law (Rothstein, 2011). Factors that inhibit trust and collective action include a lack of information regarding the behavior and decisions of public officials. Supporting collective action necessitates improving access to information, providing management data to the public, disseminating audit results (Ferraz and Finan, 2011), expanding public-private partnership arrangements, and providing information about the use of funds for essential public services such as health and education (Reinikka and Svensson, 2004). Other authors have noted that a more informed citizenry can better exercise its “vigilance” role against corruption (Casas and Carter, 2017). As pointed out in the UIS 2020-2023, emphasis is placed on the role the media plays in ensuring transparency (Guerrero, 2015) and more recently in the area of investigation. The media, in turn, has been combined with the use of social media networks, thus strengthening the dissemination of information, including the reporting of corruption. (Casas and Carter 2017).¹⁰
- 3.5 **Transparency is critical for promoting collective action.** The political and institutional changes brought about by corruption scandals in LAC show that when citizens have access to information, they can act spontaneously to demand reform. However, spontaneous collective action tends to be the exception rather than the rule, and organized forms of action are more common. For information to support collective action, cooperation arrangements are needed between social organizations, including unions and business organizations, political parties, and nongovernmental organizations (Keefer, 2013). It is also important to build agreements based on common integrity rules, as proposed in anti-bribery pacts between companies and other mechanisms based on similar principles (Pieth, 2012).
- 3.6 **The second dominant theory in the analysis of corruption is the principal-agent theory.** This theory, as applied to the issue of corruption, was proposed by Klitgaard (1988), among others. This author explains that the relationship between the principal, the agent, and the client is structured by rules, incentives, and information. The principal defines the responsibilities of the agent—a public official—in delivering goods and services to a third party—a citizen (also known as

¹⁰ Until recently, the main allegations of corruption at the global level appear to have originated almost exclusively from investigative journalism. Specifically, international consortia of journalists were formed that went about obtaining, in a practical and coordinated way, information at the global level for their investigations. One exception to this rule has been the official investigation known as Lava Jato [“Operation Car Wash”], carried out by Brazil’s Federal Ministry of the Interior and several of the country’s control and audit agencies.

the client). The potential for corruption arises due to a lack of information on the part of the principal regarding the agent's behavior. The principal cannot always observe how the agent delivers services or whether this is done in exchange for improper payment. For this reason, the agent can take advantage of the principal's asymmetry of information to obtain a bribe. The behavior of the corrupt agent can also be motivated by a low probability that his or her behavior will be detected or—once detected—punished (Becker, 1968).

- 3.7 **The principal-agent theory has a substantial grounding in reality.** Ugur and Dasgupta (2011) and Marquette and Peiffer (2018) reviewed a large number of studies that applied this theory to the problem of corruption. The main conclusion was that the less information principals have about agents' behavior, the greater the chance that those agents will fail to fulfill their obligations, instead capturing rents by exploiting their positions. The authors also concluded that corruption increases where there is a low probability of being detected and punished. Corruption is reduced, however, where agents have high intrinsic motivation to work for the benefit of the community.
- 3.8 **Conditions that increase the likelihood of corruption.** According to Klitgaard (1988), three conditions make acts of corruption more likely. The first is when the corrupt agent plays a monopolistic role. In this case, citizens are unable to turn to an honest agent. The second is the amount of discretion the agent has in decision-making. Discretionality is not inherently negative, but does increase information asymmetries between the principal and the agent by making it more difficult for the principal to identify corrupt behavior. The third condition is accountability. In this situation, control institutions are ineffective in terms of detecting and punishing corrupt agents. These three conditions can be mitigated by policy responses that include precise rules defining the relationship between principal, agent, and client, as well as arrangements that ensure the integrity of agents, process simplification, and the use of digital technologies.
- 3.9 **Administrative simplification and the use of digital technologies help to curtail discretion in decision-making.** An IDB Group study (Roseth et al., 2018) shows that administrative procedures in LAC are slow, burdensome, vulnerable to corruption, and ultimately exclude those with fewer resources. Many of these procedures are still conducted in person and on paper. Consequently, citizens waste time, and in many cases end up paying bribes to public officials. Companies lose production time and, with it, part of their competitiveness. These procedures generally create room for discretion in decision-making so that officials can attempt to capture rents through the different stages of the process (Rose-Ackerman, 1978)—for example, by adding redundant steps or unnecessary layers of review.
- 3.10 **The principal-agent theory supports the implementation of effective controls.** These encompass more effective supervision, internal and external control, monitoring, and more effective sanctions. A common error is to promote more controls and introduce more severe punishments. However, the objective is to adopt an efficient degree of control combined with an effective level of sanctions. Efficient controls increase personal and general disincentives for corrupt behavior. These controls include internal audit systems, conflict of interest rules, and asset declaration systems.
- 3.11 **Information is a key to the principal-agent theory.** As in the collective action theory, information plays a critical role in the principal-agent theory. It recommends that transparent mechanisms be adopted in government decision-making (e.g.

public hearings, citizen consultations, and participatory processes for drafting rules and regulatory cooperation). This theory assumes that the principal is willing and able to react to information regarding the agent's behavior. For example, where information exists about a dishonest agent, it is assumed that the principal will punish or remove that agent from his or her position. However, the principal-agent theory is not explicit as to what should be done when the principal fails to take such action.

- 3.12 **The principal-agent theory has implications for public administration.** The incentives for public officials to act dishonestly are a function of the opportunities for corrupt behavior and the likelihood of being detected and punished (Klitgaard, 1988; Becker, 1968). Officials have other incentives involving what they stand to lose if detected. In a better-paid public administration offering merit-based promotion opportunities, officials will take other factors into consideration when faced with the opportunity for irregular behavior. Such additional factors include professional prestige and a sense of mission in serving the public interest.
- 3.13 **Transparency and integrity reforms must be subjected to cost-benefit analysis.** Reforms based on the principal-agent theory—whether in the form of increased information, the regulation of discretion, or enhanced controls—can reduce corruption. However, the cost and benefits of specific measures need to be considered. For instance, limiting an official's discretion could create difficulties in adapting a service to the specific needs of a population group, thus imposing restrictions and, ultimately, providing a fresh opportunity to circumvent procedures. Excessive controls also impose costs and can create new opportunities for corruption. The theory agrees that the characteristics of the institutions, together with the sectors regulated and supervised by each of them, should be analyzed on a case-by-case basis to determine the associated costs and benefits (Fung, 2007).

B. The evidence

- 3.14 **Evidence regarding the effectiveness of anti-corruption policies is limited.** Transparency and anti-corruption reforms are not always based on sound data or clear baselines that allow us to ascertain why an intervention was successful or not (McGee and Gaventa, 2010; Hanna, et al., 2011; Norwegian Agency for Development Cooperation, 2011). Johnsen et al. (2012) have pointed out the abundance of econometric studies on the impact of corruption, but also the lack of same regarding its causes and the effectiveness of solutions. Authors such as Gans-Morse et al. (2017) have highlighted the lack of rigorous empirical evaluation of the main policy responses to corruption, but have found evidence concerning the results of specific interventions, such as audits and e-government reforms, and the fact that adequate civil servant salaries (an incentives-related measure in the principal-agent relationship) appear to be a necessary but insufficient condition for controlling corruption. Other studies confirm the relevance of problems related to clientelism and nepotism that erode confidence in government; these studies advocate for civil service reforms based on integrity criteria (Rose-Ackerman and Palifka, 2016).
- 3.15 **Most evidence supports the notion that access to information is key to the control of corruption.** Transparency reforms respond to both the collective action approach and principal-agent theory. Access to information and open government policies are two types of reforms that studies have found reduce the costs of collective action for citizens. Several studies conclude that these reforms narrow opportunities for corruption, such as Islam (2006), Tavares (2007), Mungiu-Pippidi

(2013), and Tandoc (2013). Some studies show that rent-seeking and corruption diminish when citizens have more information on infrastructure spending (as posited in Olken, 2007) or flows of financial resources to schools (as in Reinikka and Svensson, 2004). Other studies, such as Alessandro et al. (2019), confirm that access to information increases trust in government.

- 3.16 **Second-generation transparency reforms.** Evidence shows that second-generation transparency reforms are effective complements to access to information policies. Targeted transparency is the main such reform. In addition to providing access to information, this approach necessitates the adoption of policies for disclosing information in a format, means, and time frame that is useful for each specific audience in making their choices and decisions. Targeted transparency assumes that information is instrumental to a decision (Fung, 2007). The purpose of targeted transparency is to translate a broadly defined access to information policy objective into specific, simple, and efficient mechanisms that facilitate access to and use of information at the sector level, with the aim of improving the decision-making capacity of both the providers and requesters of information (IDB, 2018). In other words, access to information should be targeted towards users. There is also a relationship between aspects of the targeted transparency approach and the proposals of behavioral economics (Thaler and Sunstein, 2008). For example, both theories agree on the importance of institutional design for providing information that is organized in a way that allows citizens and the private sector to make better-informed decisions.
- 3.17 **Access to information reforms facilitate the work of control bodies in detecting corruption.** A series of studies has provided evidence that disseminating information on the results of audits increases accountability (Ferraz and Finan, 2008 and 2011; Gingerich, 2013; Weitz-Shapiro and Winters, 2012 and 2017) (see [Box 8](#)). These effects are also apparent in the case of audits at the subnational level. Several countries in the region undertake regular audits of subnational governments for the purposes of both general transfers at the subnational level and specific issues such as payroll (Development in the Americas 2018).
- 3.18 **Other studies analyze the use of digital technologies and how they can reduce opportunities for corruption (Mistry and Jalal, 2012; World Bank, 2016).** A study by Roseth et al. (2018) found a correlation between administrative simplification—thorough digital government reforms—and greater efficiency in service delivery with fewer opportunities for the capture of rents. These findings are confirmed by other studies on the impact of administrative simplification (Sunstein, 2013). Another group of studies identifies a correlation between the efficiency and economy of resources through the use of information technology (U.S. Government Accountability Office, 2015). Other “watchful eye” (or random supervision) interventions are based on the assumption that irregular behaviors will be deterred where there is an increase in the likelihood that corruption will be detected (Lagunes, 2019).
- 3.19 **The evidence confirms the importance of procurement reforms.** Procurement processes in any organization, public or private, entail the possibility of collusion between the seller or contractor and the employee of the organization concerned. This classic principal-agent problem offers many opportunities for corrupt behavior, but there are methods and legal frameworks that restrict such opportunities. There is evidence that the opportunities for corruption are reduced

by adopting a combination of measures to regulate discretion, increase information, and use technology (Di Tella and Schargrotsky, 2003; Bandiera et al., 2019; Lewis-Faupel et al., 2016; Szucs, 2017; Fazekas et al., 2013; and Fazekas, 2017). As indicated in Development in the Americas 2018, transparency plays a central role in managing public resources in any sector, especially activities such as procurement.¹¹ A study of 34,000 companies in 88 developing countries found that, in the ones with the most transparent procurement regulations, companies reported having paid fewer and smaller bribes (Knack et al., 2017). Other studies focus on arrangements for ensuring integrity in the relationship between the public and private sectors, particularly those governing regulatory matters and large contracts (Americas Business Dialogue, 2018; Michele et al., 2018). Methodologies such as “Building Information Modeling” allow the real-time viewing and sharing of unit costs and progress in works by all actors participating in a construction process. These actors work with a single 3D model and share the same data on time frames and costs. Several countries of the region are developing policy frameworks to promote the use of Building Information Modeling in public works, including Argentina, Brazil, Chile, Colombia, Costa Rica, Mexico, Peru, and Uruguay.

- 3.20 **Available transparency and integrity measures are varied and need to address the specific context of each country and situation.** Transparency and integrity measures include general policies, such as the regulation of access to information, and more specific ones, such as open government. In terms of integrity policies for public officials, these include conflict of interest regulations and systems for the declaration of assets and interests. There is also a series of measures that improve the transparency and integrity of decision-making, including public hearings, the participatory drafting of regulations and standards, and public consultations. Other measures concern the adoption of transparency mechanisms in public contracts, which extend beyond the publication of actions over the entire life of the contract. These measures are combined with the use of digital technologies that facilitate the visualization of investments using georeferencing platforms, for example. Also included in this varied menu of options are measures to build the institutional capacity of high-level control bodies, such as audit and comptroller offices, helping to enhance their ability to identify and punish infractions. The international standards mentioned in this document contain these and other policy options of both a preventive and punitive nature. The choice of the most suitable measures, however, should be based on a contextual analysis of each case, with a view to selecting the reforms that will be most effective.
- 3.21 **There is evidence to confirm the importance of legal instruments in deterring corruption.** There are studies of the effectiveness of legal reforms such as anti-bribery legislation and the use of techniques and regulated incentives to enhance the detection of corrupt behavior. The examples presented in [Box 8](#) include studies of anti-bribery legislation (Abbink et al., 2002; Sequeria and Djankov, 2010; Jacquemet, 2007; Barr et al., 2009; van Veldhuizen, 2011; Barr and Serra, 2009), sanctions for bribery (Abbink and Serra, 2012; Boly and Armantier, 2008; Alt and

¹¹ The IDB analytical report “Improving the Evidence on Effective Integrity Reforms” (operation RG-E1584) provides a detailed review of the literature on the effects of corruption and anti-corruption procurement reforms and presents effective, replicable strategies for the region with a view to generating sound, rigorous evidence in this area.

Lassen, 2010), whistleblowers (Schikora, 2011), and plea and cooperation agreements (Dallagnol, 2018).

- 3.22 **Integrity in public administration is crucial.** There is abundant literature that confirms the importance of integrity rules in public administration and also offers useful guidance for these types of reforms. The benchmark publication in this area is the OECD's Guidelines for Managing Conflict of Interest in the Public Service (OECD, 2003). Other studies deepen analysis of employee integrity and corruption issues (Thompson, 1987; García-Mexía, 2001). There is also more recent literature analyzing the economics of integrity reforms, with special reference to the institutional conditions required for these reforms to be effective (Villanueva, 2008; de Michele and Dassen, 2018). Other studies reference even more specific integrity issues, such as analyses of gender and corruption (Franz and Schulze, 2000; Alatas et al., 2009; Pagés et al., 2015) and the importance of job rotation in reducing the opportunities for clientelist relationships (Abbink, 2004). The Bank's experience includes the adoption of guidelines for incorporating the gender dimension into its activities, as promoted by the Anticorruption Activities Trust Fund (Sample, 2018).
- 3.23 **There is growing interest in reforms that draw on behavioral economics to reduce corruption.** Authors such as Thaler and Sunstein (2008) focus on mechanisms that foster the spontaneous motivation of behavior that adheres to the norms of citizens and officials. These authors suggest that ethical behavior by leaders can reinforce positive behavior by citizens and officials, while increasing costs (at least reputational ones) for those who decide to act otherwise. The proposal under this approach is to change norms and expectations to encourage people to do the right thing, including providing information, incentives, and recognition to those complying with the law. There is further evidence that under such conditions, civil servants can also be motivated to serve the public (Banuri and Keefer, 2016). Similarly, Carillo et al. (2017) explore the application of behavioral economics to governance-related issues such as compliance with fiscal obligations.

C. Knowledge gaps

- 3.24 **Main knowledge gaps.** Section II covered a number of the gaps in the transparency and integrity agenda. As noted in the previous section, evidence regarding the effectiveness of anticorruption reforms is inconclusive. Not all reforms have been evaluated, in part because corruption is derived from numerous causal factors and involves patterns of behavior that are not always predictable. In some fields, the value of transparency is beginning to be identified with greater precision. For example, experimental studies show a correlation between greater public information offerings and increased trust in government (Scartascini et al., 2019). There have also been positive experiences regarding some of the original themes in the transparency and integrity agenda, including ultimate beneficial ownership, transparency in the extractive sector, and integrity in public-private partnerships. In addition, there are issues on the transparency and integrity agenda that are of current importance to the countries, including legal instruments that improve the ability to prevent and punish corruption (e.g. laws governing plea and cooperation agreements, the criminal liability of legal entities, *qui tam*

actions,¹² extinction of ownership, asset recovery, and protection for whistleblowers). It is also important to strengthen knowledge regarding the relationship between corruption and commercial or fiscal issues of an international nature.

- 3.25 **There is now more practical experience with transparency and integrity reforms, and greater demand for them.** Despite greater demand for transparency and integrity reforms, the effectiveness of such interventions has not been fully documented in all cases (IDB, 2018). Gans-Morse et al. (2017) have pointed out several knowledge gaps that still need to be bridged, particularly those related to the effectiveness of anticorruption agencies. There is also a need to improve knowledge on the impact of high-level control bodies by building on studies of audits and electoral behavior by Avis et al. (2017), which analyze the impact of audits on reducing opportunities for corruption. Another important aspect to bear in mind is the impact administrative sanctions have on deterring corruption. Accordingly, Arellano et al. (2012) offer an interesting perspective on the pending knowledge challenges in this area to ensure the effectiveness of control systems. Also interesting is to examine the analyses of authors such as Ferraz and Finan (2008) in greater depth, who study changes in voters' behavior based on the audit findings of high-level control bodies.
- 3.26 **Knowledge needs to be broadened in relation to the latest generation of reforms that address the problem of impunity and the operation of public prosecutors' offices and the judicial branch.** Lengthy corruption cases and a failure to apply sanctions increase the sense of impunity (Engel et al., 2018). A series of recent reforms appears to have had an impact on impunity. These concern the likelihood that corrupt acts will be detected and sanctioned. Specifically, there is an argument for ensuring the effectiveness and independence of control bodies and the judicial branch, such as a mechanism to complement preventive policies (Rose-Ackerman and Palifka, 2016). These authors also warn about the problem of corruption in the courts and control bodies. These reforms include new legal responses, such as criminal liability for legal entities, plea and cooperation agreements, and protections for whistleblowers (Dallagnol, 2018). Legal proceedings to counter cases of high-level impunity (Mani Pulite, Lava Jato) are not immune to the challenges of sustainability. It is therefore necessary to simultaneously implement policy reforms to change the incentives that foster corruption in the first place (Vannucci, 2009). This is not a task for the judiciary but rather public- and private-sector policy reforms (Pieth, 2012).
- 3.27 Another measure that has met with promising results is interagency cooperation that starts from the moment an investigation is launched. The most significant corruption schemes tend to have fiscal, corporate, and financial dimensions, and require support from the different agencies that regulate and supervise these areas. Where these schemes involve multiple countries, the difficulty of investigating and sanctioning them is exacerbated by the absence of practical mechanisms for cooperation between countries, or by asymmetries in their legal frameworks. Consequently, to improve the effectiveness of collaboration among local agencies tasked with investigating corruption-related crime, an analysis will be needed of the differences between the relevant legal frameworks of the various agencies (e.g. financial intelligence unit, office of the public prosecutor, tax

¹² *Qui tam* provisions stipulate that individuals who offer information that enable control bodies to identify and punish acts of corruption may be rewarded with a percentage of the fines levied.

authorities, comptroller offices, and financial regulators) and of any misgivings that could undermine effective cooperation. These measures also have an impact on reducing impunity. At the international level, practical cooperation and assistance mechanisms between countries are also needed, as proposed in the United Nations Convention and in other international instruments concerning the identification and punishment of transnational corruption.

- 3.28 **Reforms that directly impact the private sector need to be evaluated.** Some recently adopted laws in the area of corruption impose integrity obligations on the private sector, such as the adoption of anti-corruption compliance programs. Given how recent these measures are, no information is available on their scope and impact, particularly with respect to family companies and small- and medium-sized enterprises. The implications for the private sector of integrity programs covering supply chains also need to be analyzed from a collective action standpoint. Some of these topics were identified in the 2018 Americas Business Dialogue report.
- 3.29 Initial studies have also appeared that draw on legal system data to analyze the different types of bribery in the infrastructure sector (Campos et al., 2019). This analysis shows that the objective of illicit payments is not always to win a specific contract, but may also be to gain a larger market share for the company paying the bribe. There are no similar studies of other sectors of equal importance to public spending, such as the procurement of pharmaceuticals and equipment for hospitals and schools.
- 3.30 **The combination of technology and access to information is a promising option that needs to be studied in greater depth.** There is preliminary evidence of the positive effects of using data visualization platforms for public investment (Arisi et al., 2019). These mechanisms offer access to information, narrow reduce the gap between principal and agent, and increase the number of potentially irregular acts identified by third parties and control bodies (David-Barrett and Okamura, 2012). Additional evidence in this area would help to confirm the effectiveness of digital technologies in promoting transparency and integrity.
- 3.31 **Quantifying the fiscal and financial costs of corruption allows makes it possible to identify the scope of the problem.** The IDB has produced specific research for the region on the financial and reputational costs of failing to comply with international financial transparency standards (Masciandaro, 2013) and has supplemented them with studies of the correlation between corruption and sovereign risk (Panizza, 2017; Araki and Panizza, 2019). It is important to continue to focus on studies that link corruption levels with reputational, economic, and financial costs for both the public and private sectors.
- 3.32 **The IDB Group can help narrow the gaps identified by generating knowledge.** Topics that might be covered in a research program include reforms in areas such as public integrity, open government, and digital government (complementing studies by Jha and Sarangi (2014) and Aliyev and Zafarov (2019)); interventions to change corrupt behavior through civil service reforms and human resources supervision (Newburn, 1999; Evans and Rauch, 2000; Hira, 2016); police reform (Greene et al., 2004; Klockars et al., 2005; Dye, 2019; Basombrío, 2019); and centers of government. There are also opportunities to expand knowledge in the area of gender and corruption, particularly as it relates to social programs.
- 3.33 In terms of alignment with international standards, there is a need to build on the analyses of Strauss (2010), de Verdugo (2011), and Masciandaro (2013) regarding

the economic and financial impact of a failure to comply with FATF standards. The aim of the IDB Group's administrative simplification studies (Pareja et al., 2016; Roseth et al., 2018) is to offer responses to the issue of discretion and improve the quality of services delivered by using digital technologies. Accordingly, the use of these technologies may be considered as a means of strengthening the enforcement capacity of control bodies.

- 3.34 **Deepening sector knowledge.** More in-depth knowledge is needed on the economic, fiscal, and institutional effects of corruption. For example, one area in which it would be useful to expand knowledge concerns base erosion and profit shifting (BEPS). Another such area involves the timely exchange of information on external trade operations between the customs agencies of countries that trade with each other, with a view to preventing under-invoicing schemes, trafficking in illicit goods, and other crimes.
- 3.35 Infrastructure is yet another area in which the IDB Group has conducted advanced analysis. In recent years, the focus has increasingly turned to the issue of infrastructure and integrity (Development in the Americas 2018). According to the Advisory Group Report, the recent scandals surrounding the financing of this sector will require innovative analysis if the current challenges are to be addressed (Engel et al., 2018; Campos et al., 2019).

IV. LESSONS LEARNED FROM EXPERIENCE IN THE SECTOR

- 4.1 The Knowledge and Learning Division (KIC/KLD) supported the preparation of this SFD by analyzing a sample of recently approved sovereign-guaranteed operations¹³ and technical cooperation agreements.¹⁴ This analysis was based on a desk review of the sample projects,¹⁵ as well as interviews with project team leaders. The main regional policy dialogues were also studied, along with country strategies and knowledge products outputs in the area of transparency and integrity. The main lessons learned are summarized below.

A. Lessons learned

- 1. Lessons concerning measurement- and knowledge-related challenges**
- 4.2 **The limitations of transparency and integrity indices and indicators can be mitigated with supplementary information and studies.** One of the challenges identified is involves measuring corruption. Experience indicates that transparency and integrity indices can be supplemented with more granular knowledge of the types of corruption in each context and sector.¹⁶ It is therefore helpful to make frequent and regular use of the main transparency and integrity indicators for each

¹³ The following operations (approved after 2016) were analyzed: 3121/OC-JA, 3122/CH-JA, 3818/CH-CO, 2745/BL-HO, 3748/OC-CH, 3617/OC-CH, 2969/OC-PE, 2919/OC-BR, 4244/OC-AR, 4796/OC-AR, 4401/OC-PR, and 2216/BL-BO.

¹⁴ The following technical cooperation operations were included in the analysis: ATN/SF-10905-RG, ATN/AA-15654-RG, ATN/MA-15653-RG, ATN/AA-16776-BR, ATN/FI-16777-BR, ATN/AA-13696-RG, and ATN/AA-15291-RG.

¹⁵ This exercise was conducted by reviewing project completion reports, project monitoring reports, loan proposals, technical notes, impact evaluations, evaluations by the Office of Evaluation and Oversight (OVE), and other relevant documentation.

¹⁶ Beyond the Scandals: The Challenging Context of Corruption in Latin America (2017). BO-L1046, 3748/OC-CH, 3617/OC-CH, ATN/AA-15682-RG, 2216/BL-BO.

country. An important lesson learned is to combine this information with the results of evaluations of the monitoring mechanisms for international standards, Big Data diagnostic assessments, and the results of exercises such as the IMF's Article IV consultations, among other things. Combining these sources yields a more accurate assessment of the gaps in the area of transparency and integrity and the measures needed to correct them. It is important to make use of this body of knowledge throughout the entire project cycle. The information available is useful not only for designing better operations (and thus for the monitoring and evaluation of those operations)¹⁷ but also as a valuable input for the technical discussions associated with policy dialogues and country strategies.¹⁸

- 4.3 **The knowledge generated by the IDB Group has strategic value and its dissemination must be ensured.** The IDB Group has an interesting record in terms of generating knowledge about transparency and integrity reforms (Jarquín et al., 2017). The IDB Group is working to strengthen the dissemination and promotion of specialized knowledge within the transparency and integrity agenda. In 2018, the Office of the President formed an advisory group of anti-corruption experts who provided the IDB Group and the member countries with their opinions on the most recent trends in transparency, integrity, and the fight against corruption. The result of this group's work was the publication in 2018 of the Advisory Group Report (Engel et al., 2018), which has had a broad impact.¹⁹ These and other IDB Group publications have generated cutting-edge knowledge in the area of transparency and integrity. They have served as a foundation for reforms that have been incorporated into technical assistance programs and loans—e.g. publications on governance in the extractive sector, reports on fiscal transparency, and a comparative regional study on ultimate beneficial ownership, which was adopted by the OECD as a manual for reform implementation (IDB-OECD, 2019), all of which are examples of this trend. These efforts need to be accompanied by adequate dissemination. A greater emphasis on the use of social networks, blogs, and other dissemination tools that extend the reach of the knowledge generated are good alternatives. [Box 9](#) provides a list of the main knowledge products in the area of transparency and integrity.

2. Lessons relating to technical responses

- 4.4 **The technical quality of institutional and regulatory reforms increases their likelihood of effectiveness.** The operations and technical cooperation projects included in the sample underscore the importance of ensuring that institutional and legal reform proposals are not only aligned with international standards in the area, but that they also address the challenge of enhancing transparency and reducing unwanted discretion. It is also critical to ensure that reforms are prepared and implemented taking into account each country's ability to secure their effectiveness. In addition to these lessons, it is important to emphasize the sequencing and prioritization of reforms, as well as the creation of interagency

¹⁷ The latest [Development Effectiveness Overview \(2019\)](#) reviews evaluations that are of interest for operations in the area of transparency and integrity, and contains good examples of indicators for measuring the effectiveness of operations in the sector.

¹⁸ Report of the Expert Advisory Group on Anti-Corruption, Transparency, and Integrity in Latin America and the Caribbean (Engel et al., 2018).

¹⁹ This publication was selected by *Foreign Affairs* magazine for its list of best books of 2019.

bodies to improve coordination among the entities responsible for the transparency and integrity agenda.

- 4.5 **Digital technology helps to leverage transparency and integrity reforms.** The use of digital tools enhances transparency, improves the effectiveness of control and supervision bodies, and facilitates intelligent data analysis.²⁰ There are special considerations associated with programs to promote information technologies for transparency and administrative simplification. These reforms should be sequential, taking into consideration the capacities of the participating institutions and the need for gradual progress on reforms that combine regulatory progress with improvements in technical capacities. Some of these tools, such as data visualization platforms (MapaRegalías, MapalInversiones, and INFOBRAS)²¹ should be accompanied by communication campaigns so that citizens and the private sector can use the information to improve decision-making and increase their collective action capacity. The dissemination of information through any of these interventions should take into account language and cultural specificities.
- 4.6 **Transparency and integrity reforms should promote the quality and availability of information.** The Bank's actions show the importance of improving the quality, timeliness, and availability of information for strengthening decision-making and control processes in both public bodies and for citizens and the private sector. Experience shows that in order to conform to principles of active transparency, governments should provide accurate, honest, and timely information so that citizens and the private sector access data that is relevant for their actions and decisions. In Colombia, the Ministry of Mining and Energy adopted a mechanism based on this approach to simplify and facilitate the exchange of information between the government, industry, and civil society. This led to improved transparency standards and more effective and efficient management of resources.²² The experience in e-government operations, which use digital technologies to leverage opportunities for the generation and use of information, points to the importance of including training activities that go beyond just the introduction of the technologies, since reforms of this kind also require the adoption of change management measures.
- 4.7 **There is an opportunity to combine public- and private-sector efforts.** Borrowers acknowledge the value of IDB Invest's technical advisory services for improving the transparency and integrity aspects of the operations. Although IDB Invest's projects do not address systemic transparency and integrity challenges, it has established strict compliance criteria for its borrowers, specifically with respect to corporate governance, transparency, and compliance standards. IDB Invest's practice is to include these standards in the financing agreement as disbursement conditions or post-closing obligations, with preestablished deadlines. The UIS has intensified the dialogue within the

²⁰ Annual Review of the Transparency Fund (2019); Report of the Expert Advisory Group on Anti-Corruption, Transparency, and Integrity in Latin America and the Caribbean (2018); Strengthening Governance in the Extractive Industries in LAC (2019) ATN/CF-13115-RG, ATN/AA-15807-RG, ATN/CN-15829-RG, ATN/AA-15682-RG, 2216/BL-BO, 2977/OC-CO, and 2969/OC-PE.

²¹ For further information, see [MapaRegalías Colombia](#) and [INFOBRAS](#).

²² Transparent governance in times of uncertainty: Best practices and strategic opportunities for the extractive sector in Latin America and the Caribbean (2019) ATN/AA-15807-RG, ATN/CN-15829-RG, ATN/AA-15682-RG, ATN/AA-15654-RG, ATN/MA-15653-RG, and 2977/OC-CO.

IDB Group as to when such reforms might require more substantial public-private collaboration. One example is the joint effort by the IDB, IDB Invest, and the Multilateral Investment Fund (IDB Lab) under the regional technical cooperation operation for transparency in the Caribbean,²³ which seeks to improve responses to the problem of de-risking. Leveraging opportunities for collaboration between IDB Lab and the Bank is important, such as conducting pilot projects and studies with the aim of identifying opportunities for reforms. Another important example is the technical assistance provided to Paraguay to improve reporting systems for suspected asset laundering operations, which is based on a reform approach that involves working simultaneously with the regulator and a regulated bank entity (an IDB Invest client).

- 4.8 **Combining work with different actors increases empowerment surrounding the reforms.** In promoting transparency and integrity reforms, the IDB Group's efforts need to strengthen relationships not only with public counterparts, but also with civil society, nongovernmental organizations, and specialized think tanks. This approach reinforces collective action encompassing multiple stakeholders. The recently approved IDB Group-Civil Society Engagement Strategy (document GN-2232-6) is facilitating opportunities to explore new ways of engaging the member countries and civil society in the transparency and integrity agenda. Experience indicates that this strategy may be particularly successful where technical capacity is poor or governance weak.²⁴
- 4.9 **Corporate governance principles support efficiency and help to promote transparency in entities responsible for providing services.** The Bank's accumulated knowledge in this area indicates that transparency is enhanced by the adoption of data and information management systems and the coordination of internal incentives—e.g. good management leadership—and external incentives (e.g. adoption of the AquaRating rating system or OECD corporate governance standards). These types of integrity policies apply to both private and public enterprises and include mechanisms such as codes of ethics, compliance programs, protection for whistleblowers, and training in integrity issues.²⁵
- 4.10 **Work with supreme audit institutions is important, but the approach needs to be modified.** The Bank's experience points to a transition in the management model for supreme audit institutions, with a trend toward performance-based auditing.²⁶ This change enhances the likelihood of a response to the challenge of detecting and punishing deviations from the rules. The reforms should be phased, taking into account the soundness of a country's legal framework and its institutional capacity. The International Organization of Supreme Audit Institutions ([INTOSAI](#)) has indicated the need for countries in the region to deepen the approach used in their audits, going beyond the traditional focus on legal

²³ ATN/ME-15948-RG

²⁴ Report of the Expert Advisory Group on Anti-Corruption, Transparency, and Integrity in Latin America and the Caribbean (2018), 3748/OC-CH and 3617/OC-CH.

²⁵ ATN/AA-15654-RG, ATN/MA-15653-RG. Transparency: Driving efficiency in water and sanitation service providers: Good practices in four Latin American companies (2008); Annual Review of the Transparency Fund (2019); Report of the Expert Advisory Group on Anti-Corruption, Transparency, and Integrity in Latin America and the Caribbean (2018).

²⁶ The United Nations Millennium Development Goals recommend that control systems be aligned with the principles of performance-based auditing, with a view to focusing on service delivery and resource allocation.

compliance. Bank assistance has helped to support this new trend, combining new management techniques and the use of digital technologies to strengthen capacity in these entities.²⁷

3. Crosscutting lessons learned

- 4.11 Sector dialogue networks are strategic platforms aimed at improving the response to country needs and fostering a sector-based approach.** These dialogues have created a positive environment for promoting the discussion of transparency and integrity reforms and for fostering the supply and demand of assistance. Combining dialogue with the dissemination of knowledge products concerning the transparency and integrity agenda is another important lesson learned in terms of how to strengthen the impact of the IDB Group's work. Dialogue not only allows for the involvement of those public actors directly responsible for transparency and integrity policies (e.g. ethics offices, comptrollers' offices, and access to information offices) but also other sectors from a crosscutting perspective (infrastructure, finance, private sector), thus addressing the challenges of collective action. In addition to specific regional policy dialogues, such as the IDB-OECD Integrity Network, there has been substantial crosscutting adoption of the transparency and integrity agenda in the respective policy dialogues of several areas of the IDB Group, including PPP Americas (for public-private partnerships), the LAC Debt Group of Finance Ministries, and the Americas Business Dialogue (2018). This reinforces the consistency of the IDB Group's message in the area of transparency and integrity and is aligned with the sector-based approach proposed in the UIS. One example of the strategic value of these networks in terms of guiding integrity and transparency reforms is Chile's Integrity and Transparency Agenda Support Program.²⁸ These entities attest to the IDB Group's leadership in the area of transparency and integrity and also play a role in helping their member countries improve their capacity to share knowledge and best practices. This dialogue also helps foster closer ties with the different branches of government, including the judicial and legislative branches. In many countries, for instance, the legislative branch plays a supervisory role in budgetary control or performs functions associated with government audit agencies.
- 4.12 Transparency and integrity reforms at the sector level.** The Bank has significant experience with the implementation of transparency and integrity reforms at the sector level. For example, the program Productive Paraguay: Transparency and Financing²⁹ illustrates the positive synergies that can result from enacting transparency and productivity laws as part of financial sector reforms. Social sector experiences and operations³⁰ show that the use of digital technologies can facilitate the traceability of products and services, solving problems associated with inefficiencies, the capture of resources, and other irregular practices. Digital tools like MapaRegalías and MapaInversiones are examples of positive outcomes attributable to the Bank's crosscutting work with various sectors. Other operations that have adopted crosscutting transparency

²⁷ Operations 2969/OC-PE, 4724/OC-PE, 3617/OC-CH, 3748/OC-CH, 3121/OC-JA, 3122/CH-JA, and 2919/OC-BR.

²⁸ Operations ATN/AA-15654-RG, ATN/MA-15653-RG, 4796/OC-AR, 3748/OC-CH, 3617/OC-CH, ATN/AA-13696-RG, ATN/AA-15291-RG, and the Anticorruption Activities Trust Fund (2018).

²⁹ Operation 4401/OC-PR.

³⁰ Operations GRT/HE-13284-ME, GRT/HE-15373-ME, 1903/OC-AR, 2788/OC-AR, and 4726/OC-PE.

and integrity measures have also been identified. For instance, the IDB's Water and Sanitation Division has incorporated accountability mechanisms to foster transparent management at Argentina's water and sanitation company.³¹ In a line of credit to Banco do Brasil,³² the IDB Transportation Division included information and visualization tools for the execution and monitoring of projects to improve transparency.

- 4.13 **International standards are a critical tool for spurring transparency and integrity reforms.** International standards create a roadmap for action and define countries' political commitment to the reforms. Through its portfolio of operations, the IDB Group has been effective in supporting the best strategies for countries to translate their commitments to international standards into concrete reforms. For example, the programs "Chile's Integrity and Transparency Agenda Support Program,"³³ "Productive Paraguay. Transparency and Financing," and "Program to Support Transparency and Integrity Reforms in Argentina"³⁴ were all developed with this objective in mind.
- 4.14 **International transparency and integrity forums are strategic venues that improve the ability to respond to the countries' needs.** The IDB Group gains pertinent, complementary knowledge through its presence in these forums, improving its ability to respond in a flexible and timely manner. The IDB Group participates as an observer in several international or multilateral forums, particularly those relating to the adoption and measurement of the implementation of international transparency and integrity standards. The IDB Group has observer status with the following organizations: the FATF and its regional chapters for Latin America and the Caribbean (the Financial Action Task Force of Latin America (GAFILAT) and the Caribbean Financial Action Task Force (CFATF)); the OECD Global Forum; the EITI; Open Government Partnership; OLACEFS; CoST; WEF; the OECD Integrity Group; and MESICIC. It also participates in the Summits of the Americas Group of the OAS. Having an active presence in the organizations responsible for issuing international transparency and integrity standards and evaluating their implementation provides an initial venue for coordination that is useful for identifying the situation in the countries and supporting them in implementing transparency and integrity reforms. A second level of coordination with other multilateral organizations and international development partners occurs at the country level. Here, the dialogue between IDB Group specialists and their counterparts improves the ability to provide a response to the country that complements the different types of assistance on offer and avoids overlap. These forums also help position the IDB Group to disseminate information on its programs and activities to further the transparency and integrity agenda of its member countries.
- 4.15 **The venues for dialogue with multilateral and bilateral organizations are of strategic importance for improving synergies and enhancing support to the countries.** The IDB Group has an active bilateral relationship with other international organizations working on the transparency and integrity agenda. This is the case with the World Bank and the IMF, with which the Bank shares an operational and technical assistance agenda in the area of transparency and

³¹ Operation 4268/OC-AR.

³² Operation 4691/OC-BR.

³³ Operations 3617/OC-CH and 3748/OC-CH.

³⁴ Operations 4244/OC-AR and 4796/OC-AR.

integrity that seeks to achieve greater synergies and improve the outcomes of this coordination for beneficiary countries. With respect to the bilateral dialogue with nonborrowing member countries, the IDB Group is coordinating with the United States Treasury Department on support for compliance with FATF standards. The donor countries for the Anticorruption Activities Trust Fund (AAF)—i.e. Norway, Canada, Italy, and Sweden—have proven strategic partners for promoting technical dialogues and reforms in various areas of the transparency and integrity agenda, such as fiscal and financial transparency, institutional strengthening of sovereign funds, and promotion of the gender and corruption agenda.

- 4.16 **Technical-cooperation operations with a high degree of specificity help generate policy-based loans that deliver their expected outcomes.** In recent years, emphasis has been placed on designing technical cooperation operations that are linked to investment and policy-based loans in a more direct and structured way. The objective is to support countries in implementing the measures necessary to comply with international commitments, and this, in turn, has given rise to technical cooperation operations of a more specific nature.³⁵ An example of this are the legislative reforms that have been enacted in Paraguay and Argentina, in which nonreimbursable technical-cooperation instruments³⁶ have been used to provide technical support for the implementation of the measures contained in the loans.³⁷ The technical assistance provided by the AAF has served as a catalyst for these and other operations, and has proven a suitable instrument for generating applied knowledge in the areas addressed by the operations. The recent external evaluation of the AAF (Trapnell, 2018) confirms that these regional and country-specific technical cooperation projects have facilitated rapid responses that have both predated and laid the foundations for sector reforms, such as those in infrastructure, finance, the fiscal sphere, and natural resources.
- 4.17 **Transparency and integrity reforms can be successfully leveraged in sector reform loans.** For example, the program “Productive Paraguay: Transparency and Financing”³⁸ illustrates the positive synergies that can be generated when financial sector reform is accompanied by the enactment of transparency and productivity laws. There is room to make further use of this instrument to leverage transparency components alongside other sector reforms, such as those in infrastructure, finance, education, and natural resources. The experiences of the Social Sector and its operations³⁹ show that the use of digital technologies allows products and services to be traced, thus solving problems of inefficiency, the capture of resources, and other irregular practices. In this sense, digital tools such

³⁵ Operations ATN/AA-16776-BR, ATN/FI-16777-BR, 4244/OC-AR, 4796/OC-AR, ATN/AA-13696-RG, ATN/AA-15291-RG, 4401/OC-PR, 3121/OC-JA, and 3122/CH-JA; Review of Transparency Fund Results (2017).

³⁶ In 2016 and 2017, the AAF approved projects AR-T1166 and PR-T1242, which provide technical support for the implementation of some of the measures included in the respective loans for Argentina ([4244/OC-AR](#) and [4796/OC-AR](#)) and Paraguay ([4401/OC-3PR](#) and [4866/OC-PR](#)).

³⁷ Operations ATN/AA-16776-BR, ATN/FI-16777-BR, 4244/OC-AR, 4796/OC-AR, ATN/AA-13696-RG, ATN/AA-15291-RG, 4401/OC-PR, 3121/OC-JA, and 3122/CH-JA; Review of Transparency Fund Results (2017).

³⁸ Operation [4401/OC-PR](#).

³⁹ Operations GRT/HE-13284-ME, GRT/HE-15373-ME, 1903/OC-AR, 2788/OC-AR, and 4726/OC-PE.

as MapaRegalías and MapaInversiones are examples of the positive impact of crosscutting efforts involving different sectors of the Bank.⁴⁰

- 4.18 **Transparency and integrity reforms are strengthened where economic policy is taken into account and interagency coordination is reinforced.** IDB Group experience highlights the importance of having sufficient political leadership at the highest levels for these types of reforms. It also underscores the importance of building institutional capacity for coordination between the entities responsible for the transparency and integrity agenda. These factors enhance the effectiveness and sustainability of the reforms. Chile, for example, created its Advisory Council on Transparency, which has a high degree of autonomy. The recent Program to Support the Transparency Agenda in Paraguay promoted the creation of a Supervisory Council of Reporting Parties for asset laundering prevention policies. The lesson learned from these examples is that transparency and integrity reforms benefit from the support of key actors at the highest levels, and from an agreement between these actors that ensures their coordination and facilitates the materialization of the reforms.⁴¹
- 4.19 Lastly, one lessons learned is the importance of sustained support for crosscutting reforms. One such example is the Bank's experience in the area of strengthening country procurement and contracting systems. To date, 20 of the Bank's member countries in LAC are either in the process of adopting international standards for their country systems or have already done so. The Bank's 26 member countries use at least one of the financial management or procurement subsystems and 50% are using up to six of these subsystems. The Bank has supported far-reaching reform processes in at least 20 countries with the aims of adopting a better value for money approach, developing electronic platforms to improve transparency in procurement and public finances, and implementing cutting edge technologies to ensure the integrity of these processes.

B. Recommendations of the Office of Evaluation and Oversight

- 4.20 **The OVE report.** This report (OVE, 2013) indicated that Bank's assistance in the area of transparency and integrity could benefit from improved strategic planning and internal coordination. It underscored the fact that the IDB Group invested more resources in strengthening internal ethics, integrity, and fiduciary management than in creating corresponding capacities to support the countries' efforts.
- 4.21 According to IDB Management's response to the midterm evaluation of the Ninth General Increase in the Resources of the Bank (IDB-9) commitments in the area of fraud and corruption (OVE, 2013), the adopted approach of targeted transparency in governance and the fight against corruption is a sound one, with the potential for a highly positive impact in the near future with the active application of this approach in coordination with the IMF and the OECD.
- 4.22 The report "IDB's Ninth General Capital Increase: Implementation and Results" (OVE, 2018) indicated that the demand from member countries for transparency and integrity projects has increased in the wake of the recent corruption scandals. OVE's recommendation was to review the Bank's approach, and the rationale that

⁴⁰ Operations 4401/OC-PR, ATN/AA-15682-RG, and RG-2744.

⁴¹ Operations 2745/BL-HO, 3748/OC-CH, 3617/OC-CH, 3121/OC-JA, 3122/CH-JA, 2969/OC-PE, ATN/AA-15682-RG, 2216/BL-BO, and 4401/OC-PR. For further information, see [La economía política de la agenda de transparencia de Chile: ¿Acción o reacción?](#)

has driven operational interventions in accordance with IDB-9, in order to respond to the current situation in the region. OVE plans to submit an evaluation of transparency and integrity operations financed to date to the Bank's Board of Executive Directors in 2020.

- 4.23 Following publication of the OVE report in 2013, the IDB Group's work was refocused to address its recommendations. The Bank's sector and fiduciary divisions were invited to participate and the Bank joined the working groups of other international organizations as an observer. Emphasis was also placed on policy dialogue, knowledge products, country strategies, and operational work in the area of transparency and integrity.

V. LINES OF ACTION FOR WORK IN THE SECTOR

A. Guiding principles for the lines of action

- 5.1 **Institutional quality and transparency are critical for fostering democratic governance, effective public service delivery, and a favorable climate for private sector development that encourages investment.** A variety of factors, including weak institutions, inadequate regulation, and opacity, help to explain corruption. The exact form these factors take varies from one country to another. Transparency and integrity reforms must seek to improve the quality of institutions and regulations, expand access to information, and strengthen the role of agencies responsible for promoting integrity. Smaller countries are a special case in which the institutional capacity for adopting and implementing reforms needs to take into account their specific circumstances when analyzing the potential of different reforms. It is also important to consider the specific features of subregions that may need an ad hoc approach.
- 5.2 **State capture.** As indicated in the Advisory Group Report, the IDB Group has experience in a number of areas that could provide opportunities for advancing solutions. The authors of this report recommend maintaining a focus on institutional reforms, based on the assumption that the results will be seen in the medium and long term. They highlight the importance of increasing the transparency and control of political campaign finance, establishing effective controls for large contracts (including infrastructure), disclosing and regulating conflicts, and implementing policies governing beneficial ownership. The authors also point up the importance of addressing areas identified as having major risks—using existing indicators and specific studies and evaluations—in which the IDB Group has extensive experience and capacity for action. Again, this selection will be based on the context of each country and their political, institutional, and economic circumstances.
- 5.3 **Alignment with the UIS.** The lines of action proposed in this SFD are consistent with the approach adopted in the UIS, which emphasizes the role of transparency and integrity as a means of strengthening institutional capacity and the rule of law. This strategy divides the IDB Group's work in the area of transparency and integrity along four lines: (i) transparency, integrity, anti-corruption, and governance reforms aligned with international standards; (ii) work on open government and transparency, including the use of technology; (iii) greater inclusion of transparency and integrity issues in sector operations and the public-private approach; and (iv) strengthening of internal coordination between the IDB Group's operational and fiduciary sectors. The UIS establishes the need to include the

transparency and integrity agenda at the sector level (water and sanitation, energy, transportation, social sectors, etc.). The AAF is a strategic tool for achieving alignment with the UIS, and specifically, promoting the work of the sector.

- 5.4 **Alignment with international standards.** The UIS and this SFD propose lines of work that are aligned with the group of international treaties, tools, principles, and standards adopted by IDB Group member countries in the area of transparency and integrity. In addition to demonstrating the countries' political commitment, these instruments also provide a broad roadmap for transparency and integrity reforms, ranging from preventive measures through to the investigation and punishment of corruption.
- 5.5 **Digital technologies as a crosscutting means of leveraging transparency and integrity reforms.** The proposed lines of action presuppose the use of digital technologies as a crosscutting factor. As explained in the UIS, digital technologies are essential for improving transparency and implementing principles of open government. This includes using digital technology to reduce discretion, improve accountability, and involve citizens in government decision-making. However, digital technologies require a governance framework that enhances their benefits and reduces the risk that information will be used improperly, affecting individuals' privacy and other negative consequences. Digital technologies enhance the ability to extract and share information, and such information may be of economic value, heightening the risk that it might be used improperly. Regulation is therefore needed, including from an integrity standpoint. In this respect, the region requires suitable legal frameworks that protect the personal data contained in public and private sector information systems. Accordingly, digital transformation requires an integrated, multisector approach that incorporates the dimensions of technology governance, development, adoption, and use; information management; digital talent; cybersecurity; and connectivity,⁴² taking care to assess the potential risk posed by these kinds of solutions, which have limited track records or evidence.
- 5.6 **The lines of action complement each other and are aligned with both the collective action approach and principal-agent theory.** The measures promoted in Bank programs include elements of both theories: (i) technically sound laws and regulations that ensure administrative simplification and transparency in public decisions; (ii) mechanisms to ensure the integrity of public officials; (iii) access to information, particularly targeted transparency; and (iv) the use of digital technologies to improve transparency and integrity.
- 5.7 **The lines of action guiding the work of the IDB Group based on both theories.** Although some efforts have been made to offer a menu of responses for each situation (United Nations Office on Drugs and Crime, 2004), the main authors agree that there is no way to offer an exhaustive guide applicable to all risks, sectors, and projects (Rose-Ackerman, 1999). Nevertheless, the assumptions of the two prevalent theories offer guidelines as to which elements to consider at the operational or project level. These elements are included in institutional strengthening programs that work with the bodies responsible for access to information and accountability—comptrollers' offices, integrity offices, financial intelligence units, procurement agencies, and supervision bodies. These elements

⁴² In this sense, digital transformation requires not only a governance framework and the leveraging of technology but also substantial investments in data infrastructure, including broadband, IT equipment, cybersecurity measures, and programs to promote the use of technology.

are also present at the level of each sector, such as the sector ministries responsible for making policy decisions, adopting regulations, and implementing public spending decisions. At the same time, a suitable balance is sought between preventive measures and those based on effective mechanisms for penalizing irregular behavior. Open government reforms and access to information are examples of measures aligned to collective action theory, while measures aligned with principal-agent theory include regulating discretion and reducing information asymmetries. The responses advanced by these two approaches can be implemented in a complementary manner.

- 5.8 **Sector and crosscutting approaches.** The Bank's work on the transparency and integrity agenda is both sector-based and crosscutting in nature. At the sector level, its programs support interventions to strengthen institutions and enhance transparency and accountability. Transparency and integrity are also promoted as part of this work. These are specifically tailored to the characteristics and challenges of each sector. The outcomes of some crosscutting reforms extend to all sectors, such as justice system reforms and the promotion of access to information laws. Another touchpoint is to improve effectiveness, efficiency, and transparency in the use of public resources, particularly critical activities such as procurement. The importance of combining crosscutting and sector interventions is mentioned explicitly in the UIS and the Report of the Expert Advisory Group on Anti-Corruption, Transparency, and Integrity in Latin America and the Caribbean, which state that traditional reforms in the areas of transparency, integrity, and anti-corruption should be accompanied by specific sector-based interventions in areas such as infrastructure and the extractive industries.
- 5.9 **Importance of interventions at the subnational level.** In addition to the sector-based and crosscutting approaches, the subnational perspective should also be taken into account. This perspective is particularly relevant for reforms that involve decentralization or public expenditure execution at the local level. This involves support for improving the management of regulatory agencies as well as controlling the use of subnational public resources and integrity policies of the branches of local government.
- 5.10 **Internal coordination and multisector work.** Consistent with the guidance included in the UIS, work in the area of transparency and integrity will be carried out on two levels. First, coordination will be intensified between the Bank and IDB Invest to promote coordinated responses to transparency and integrity challenges. For example, mechanisms will be established to identify opportunities for work to promote public-sector transparency and integrity mechanisms that with in turn help improve the performance of the private sector. Second, coordination will be enhanced between the different operational departments and between the operational and fiduciary divisions (OII, AUG, FMP) to strengthen the use of those lessons learned from the IDB Group's multisector and fiduciary work that can be used as an input into work with the countries. This information will be particularly relevant as input for policy dialogues, country strategies, and the design of operations. This interaction between the operational and fiduciary areas will take into account opportunities for cross-sectoral work.
- B. Lines of action to increase access to information and facilitate public demand and citizen control**
- 5.11 **Transparency policies for open government.** As part of this line of action, the IDB Group will work on a series of interventions for promoting transparency in

public sector management, including open government policies, which will also extend to the judicial and legislative branches. Open government policies are useful for: (i) improving transparency and access to information by making government data available, in turn facilitating social control, accountability, and the reuse of public sector information to foster innovation and economic development; (ii) facilitating public influence over decision-making and public participation in the design and implementation of policies; and (iii) creating spaces for cooperation between the different actors, particularly government administrations, civil society, and the private sector.

- 5.12 Together with open government policies, the IDB Group will promote work on access to information laws and the bodies responsible for their application. This line of work will deepen the use of the concept of targeted transparency, particularly in those sectors with greatest exposure to integrity risks. The evidence shows that it is not enough to place information in the public domain in a satisfactory format, means, and time frame—rather, there is also a need for organizations or individuals that are able to use this information to influence public policy decisions. For this reason, the IDB Group will also work with the users of the information to ensure that it is used to its full potential.

C. Lines of action for public sector integrity

- 5.13 **Integrity of public officials.** Operational work, knowledge generation, and policy dialogue should all focus on promoting, communicating, and instilling ethical standards in the public sector, while also promoting conflict of interest policies, asset declaration systems, reporting mechanisms and whistleblower protection systems, and the investigation and punishment of improper conduct. This area includes support for policies to ensure transparent administrative decisions, including public hearings and other mechanisms for transparent regulatory decision-making. It also includes support for professional human resource systems based on transparent recruiting mechanisms and merit-based promotion for the three branches of government.
- 5.14 **Regulatory quality and transparency of decisions.** The IDB Group will work on administrative simplification and regulatory transparency programs aimed at promoting the adoption of smart regulations that reduce opportunities for corruption. Special emphasis will be placed on reducing in-person administrative procedures and the physical environments that typically lend themselves to such opportunities. Special consideration will be given within this line of work to the relationship between national and subnational government, to address relative capacities for implementing consistent reforms across all levels.
- 5.15 **Transparency of government resources: expenditure, investment, and State-owned enterprises.** This work will focus on strengthening procurement systems to ensure integrity, transparency, and competition throughout the different stages of the contract cycle (particularly during execution). This includes digital procurement systems, public contracts, and government supplier registers. It will also take into account training, cooperation programs, and the exchange of experiences in the area of transparent bidding procedures and other government procurement at both the national and subnational levels. The development of early warning systems for irregularities is of significant value in terms of prevention. In this area, support will emphasize integrity policies for those sectors at greatest risk, including infrastructure and health. For purposes of illustration, an example that combines elements of the two predominant theories and highlights the

- complementarity of the lines of action concerns the implementation of transparency and integrity measures for large infrastructure works. This makes it possible to promote, *inter alia*, public consultation mechanisms for identifying investment priorities, design risk maps, strengthen the institutional capacity of the agencies responsible for awarding and supervising these works, regulate conflicts of interest, apply targeted transparency to the contract cycle with the help of digital technologies that ensure access to information about the entire process, including contractual amendments and addenda, as well as works-related licenses and permits.
- 5.16 With respect to State-owned enterprises, the IDB Group will promote measures to ensure that the governance of these entities is aligned with principles of transparency and integrity that ensure the orderly management of fiscal and financial policy. It will also foster the implementation of data management systems that enable the public investment geo-referencing and visualization of. Special emphasis will be placed on support for the implementation of transparency standards in the extractive sector, as well as for the countries' efforts to create sovereign funds for the transparent management of resources from this sector.
- 5.17 **Financial and fiscal integrity.** To prevent money laundering and ensure that illegally obtained funds do not affect operation of the economy, the IDB Group will place special emphasis on the areas of financial and fiscal transparency. Support will continue for the countries' efforts to implement international FATF and OECD standards and to join bilateral and multilateral information exchange agreements. This is an area in which the IDB Group has shown regional leadership, through significant technical and loan assistance. Support will also be provided to the countries for implementing measures that prevent fiscal erosion and other practices that enable tax avoidance. The assistance is targeted to help the member countries adopt—strategically, and in keeping with their respective capacity—the recommendations set out in the above-mentioned international standards. This approach includes an ample set of preventive and prosecutorial measures that place special emphasis the effectiveness of the reforms.
- 5.18 **Strengthening control bodies and reducing impunity.** Recent corruption scandals demonstrate the importance of modernizing and strengthening control bodies so that these can improve their ability to detect, prevent, and punish acts of corruption, particularly in major public investments. The potential of digital technologies will be leveraged to ensure that the work of these control bodies is effective in terms of prevention and deterrence. An emerging theme in technical assistance requests from member countries is the use of data science (big data, artificial intelligence) for supervising expenditure. The use of these tools can generate data that complement existing indices and indicators and support the formulation of better policies and interventions. The IDB Group will also work on legal and regulatory reforms that enhance the capacity of the institutions responsible for investigating and sanctioning improper conduct. Special emphasis will be placed on support for intra-agency and international cooperation mechanisms, to ensure that the institutions responsible have suitable legal and institutional frameworks. With the aim of strengthening international cooperation, the IDB Group could also carry out a study of legal and administrative gaps that hinder cooperation with research institutes. The policy dialogue covering these areas is an ideal vehicle for promoting international good practices in transnational investigations. The measures described in this SFD provide opportunities to work with the different branches of government, including government audit agencies.

D. Lines of action for private sector integrity

- 5.19 **Private sector integrity.** Support will be provided for commitments such as the G20 Anti-Corruption Working Group Action Plan and the Responsible Business Conduct and Anti-Corruption Plan of the Business 20 (B20) summit, which will require policy dialogue and knowledge generation. It is important to ensure that the countries have legal and institutional frameworks that permit the implementation of effective policies for determining ultimate beneficial ownership, as well as access to this information for use in risk prevention measures. Another example is the regulatory and self-regulatory environment, which requires and also encourages good corporate governance practices in the private sector. Such measures comprise a risk management processes (including risk-based compliance programs) from the highest levels of an organization downward. They also address the adoption of collective action measures, such as those aimed at ensuring integrity in value chains and improving integrity in both large and small enterprises. Measures will also be promoted to ensure transparency in relations between the public and private sectors, as in the case of integrity pacts, which are a tool that governments, companies, and civil society can use to reduce opportunities for corruption in public contracts.

BOXES

Box 1. CONCEPTUAL DEFINITIONS

Corruption	<p>The Transparency International glossary defines corruption as “the abuse of entrusted power for private gain.” The World Bank (1997) has defined it as the “abuse of public office for private gain,” while Kaufmann (2005) has proposed calling it the “privatization of public policy.” In a 2015 report, UK Aid characterized it as a “complex and multi-faceted phenomenon” resulting from dynamic interactions between economic, social, and political processes and between various public, social, and private actors. The IMF (2016) has defined corruption as “the abuse of public office for private gain.”</p> <p>Corruption can also be understood as a broad range of actions and behaviors that create negative externalities as much at the top of public and private sector structures as at the bottom (Banuri and Eckel, 2012). The definition put forth by Malem (2012) is broader, encompassing “those who take advantage of their position in a relationship, organization, or institution and violate their duty with a view to obtaining illicit gains, be it in the public or private sector.” Corruption is “a two-way street, and in order for corruption in public service to exist, a corrupting counterpart must also exist, be it either a citizen or a businessperson who is prepared to maintain that relationship” (Arellano et al., 2012). Klitgaard (1998) proposes a stylized formula to explain corruption. The “Klitgaard formula” posits that $C = M + D - A$, with corruption (C) occurring where a monopolistic decision (M) is taken discretionally (D) and in the absence of accountability (A). Discretion depends on the rules that determine it: imperfect rules lead to discretion that facilitates corruption. Meanwhile, a lack of transparency and ineffective control bodies hinder the accountability that is needed to deter corrupt acts.</p> <p>The IDB Group has adopted different definitions over the years in its procurement policies, adjusting and harmonizing them with the main multilateral organizations. The current version of a corrupt practice is the “offering, giving, receiving, or soliciting, directly or indirectly, anything of value to influence improperly the actions of another party” (document GN-2349-15).</p> <p>Corruption is also manifest in the capture of government positions, budget allocations, processes, and decisions. This hinders the efficient use of public resources, State effectiveness, and the proper functioning of government, while also creating an enabling environment for the abuse of authority. For corruption to exist, a proven infringement must also exist (Centro de Investigación and Docencia Económicas, 2018); the gravity of the infringement depends on the categorization of the offense in the penal code of the country concerned.⁴³</p>
-------------------	--

⁴³ Receiving or paying bribes, including bribery in procurement, public works, or customs; false asset declarations, concealing assets, misappropriation of public funds, clientelism, impunity, trading in influence, fabrication of cases and evidence, omission, bribing judges, fraud, a lack of integrity of due process in transactions or unethical behavior. The appointment of underqualified officials can lead to negligent behavior and voluntary or involuntary errors or omissions.

Petty and grand corruption	Consistent also with the Transparency International glossary, petty or administrative corruption refers to the corrupt practices of low-level public officials, such as requesting small-scale bribes, expecting gifts, payroll fraud, nepotism, the selective application of laws, and justifying absenteeism. These practices affect the average citizen and small enterprises. Grand corruption refers to corrupt practices involving high-level officials and significant amounts of resources, such as selecting bidders able to pay bribes for public contracts, misappropriating public funds, campaign finance irregularities, clientelist networks in the public payroll, and price manipulation in public contracts.
Corruption scandals	Balán (2011) defines these as “the public disclosure of a misdeed that constitutes corruption as well as the public upheaval it produces.” According to this author, scandals are, in many cases, a byproduct of political competition between political actors, and a consequence of the way in which political systems channel conflict and dissent.
Syndromes of corruption	Authors such as Johnston (2005) have challenged traditional definitions, promoting instead an approach that takes into account the way each society manages and distributes power and wealth. These factors, suggests Johnston, determine the prevailing type of corruption in both economically developed and developing societies.
Corruption scandals and public trust	According to Engel et al. (2018), high-profile corruption has led to a crisis of confidence affecting citizens and investors in most LAC countries. Recent scandals have exposed weaknesses in the complex legal and fiduciary instruments designed to combat corruption, and this has delayed the completion of major infrastructure projects and other investments. Powerful companies are the heart of these scandals.
Generalized corruption	According to Rose-Ackerman (1999), this type of corruption is prevalent in governments that prioritize public investment over that of the private sector, frequently supporting white elephant-type projects: megaprojects that benefit politicians who receive bribes in the present without bearing the future costs of poorly performed work or excessive public debt.
Grand corruption	Also according to Rose-Ackerman (1999), this type of corruption occurs at the highest levels of government and involves large-scale projects and programs. Governments frequently transfer substantial financial benefits to private companies through contracts and concessions. For this author, bribes serve to transfer monopoly rents to private investors and are shared with corrupt officials.
Corruption at the administrative level, in the regulatory system, and in public contracts	Administrative corruption refers to the transfer of resources from citizens and small-scale businesses to public officials through different types of bribes paid to access a public service; this mainly affects lower-income population groups. Another level of corruption, in the regulatory system, occurs when a public official has the discretion to authorize or deny a license or permit in exchange for a rent on the part of a private agent. The private agent discounts this rent from company profits, in turn leading the company to pass the cost on in the form of higher prices, with an adverse impact on public well-being. Lastly, corruption in public contracts occurs during the procurement process for goods, services, or public works where these are allocated to private agents in exchange for a rent paid to a public official, with a negative impact on public spending.

Anticorruption	<p>This antonym is commonly used in the English-speaking world, where it refers to an urgent action plan against corruption based on punitive measures. This is distinct from a plan that creates an environment for transparency and integrity, from the prevention stage through to the confiscation of assets derived from corruption. The concept of anti-corruption is not used in this SFD.</p>
Conflict of interest	<p>The OECD (2003a) defines a conflict of interest as a “conflict between the public duty and private interests of a public official, in which the public official has private-capacity interests which could improperly influence the performance of their official duties and responsibilities.”</p> <p>Roberts (2001) presents a list of administrative prohibitions that public officials must comply with to avoid conflicts of interest and protect the impartiality and objectivity of the government apparatus. These include gifts from outside (nongovernmental) sources, gifts from one public official to another, financial interests in conflict, employment and activities undertaken outside government, improper use of authority (position), and post-employment restrictions for former public officials.</p> <p>Corruption includes conflicts of interest; however, not all conflicts of interest constitute corruption unless they adversely impact the judgment and performance of a public official. A conflict of interest is a broader concept than trading in influence; in addition, if someone in the private sector threatens to reveal certain harmful information about a public official in order to force him or her to make a decision, this constitutes extortion (de Michele, Dassen, 2018).</p>
Open government	<p>This fosters a citizen-centered relationship aimed at ensuring greater social participation and cooperation in matters of public interest, as well as improved accountability and efficient, effective, and transparent public services.</p>
Transparency	<p>This definition generally refers to the authorities' obligation to account for their actions. In the realm of government activity, transparent, semitransparent, and opaque spaces coexist (Blanco, 2014). Transparency can be created by laws that oblige certain economic agents—including the government itself—to disclose the information necessary to improve economic and social performance.</p> <p>One approach recommended by multilateral organizations, governments, and international development partners is the disclosure of information to allow external actors to monitor and evaluate the internal operations and performance of an organization (Grimmelikhuijsen et al., 2013). Another, broader definition refers to the disclosure of information regarding the decisions and procedures followed by the members of an organization, with the aim of evaluating that organization's performance. This is complemented by freedom of the press, online platforms, and access to information laws. However, this requires that there be a demand for the information, that the information be relevant and reliable, and that there be procedures for compliance and sanctions for noncompliance (Lagunes, 2019).</p> <p>Arellano (2007) posits that public organizations are subject to “transparency failures,” or gaps in the implementation of transparency policies. These include disclosure, verifiability, and responsibility, which help to improve citizens' perceptions of reality. Accordingly, in the same way that there are theories of market, government, and procurement failure, there are also “failures of transparency.” These are not necessarily Machiavellian spaces with selfish</p>

	<p>actors who benefit from preserving the status quo; instead, they might just as well be characterized as rational processes (Arellano, 2007).</p> <p>In this regard, López Ayllón (2011) suggests that the characteristics are timeliness, relevance, verifiability, quality, integrity, and ease of access. In the event of a transparency failure in a bidding process (supervision of a project), for instance, the consequence is an increase in the cost of an infrastructure investment. Transparency failures also hinder public understanding of how public funds are used and what results have been achieved, while also preventing specialists from evaluating the effectiveness and impacts of public policy.</p>
Targeted transparency	<p>Fung (2007) coined this definition, which refers to the disclosure of specific government information to citizens and the private sector. It represents an improvement over general access to information obligations. Targeted transparency takes into account the following criteria: (i) it is mandatory; (ii) it relates to the public sector, but can include the private sector where the latter administers public information; (iii) it is standardized, comparable, and disaggregated; (iv) it relates to specific sectors, products, or topics; and (v) it is aligned with a specific policy objective. According to Fung, the more general purpose of targeted transparency is for public officials and citizens to make better-informed decisions. It is a type of second-generation transparency reform that, in addition to access to information, requires policies that disclose information in a format, means, and time frame that is useful for each specific audience, with the aim of helping citizens make better decisions.</p> <p>Targeted transparency policies are those that translate a broadly defined policy objective (“more transparency”) into specific, simple, and efficient mechanisms that facilitate access to and use of information for specific groups of users and in specific sectors. Targeted transparency policies are designed to answer important questions such as those mentioned above when describing the theory of change approach: Who should have access to a certain type of information and why? What type of information is made available and in what format? What type of behavioral change is expected from the users of that information? (IDB, 2018).</p>
Integrity	<p>This is a concept and value that should be created or reinforced in public and private organizations in order to prevent corruption. Based on the Transparency International definition, integrity refers to behaviors and actions consistent with a set of moral or ethical principles and standards, embraced by individuals as well as institutions, that create a barrier to corruption. According to the OECD (2017a), integrity is not just a moral issue, it is also about making economies more productive, public sectors more efficient, and societies and economies more inclusive. It is about restoring trust—not only in government, but also in public institutions, regulators, banks, and corporations. Public integrity is the consistent alignment of, and adherence to, shared ethical values and principles and norms for upholding and prioritizing the public interest over private interests.</p>

Box 2. IDB Group – milestones in transparency and integrity policy

- 1992: World Bank's first policy statement on governance and development
- 1995: IDB President Iglesias makes speech on corruption
- 1996: IDB overhauls procurement to allow action in cases of fraud and corruption. Board approves policy on Modernization of the State (i.e. governance). Countries sign Inter-American Convention against Corruption.
- 1998: First definition of "prohibited practices" incorporated into procurement policies
- 2001: Board adopts the "Systematic Framework Against Corruption." Creation of the Oversight Committee on Fraud and Corruption (OCFC).
- 2003: Creation of the IDB Office of Institutional Integrity (OII)
- 2004: IDB Sanctions Committee established.
- 2006: Creation of the IDB Institutional Capacity of the State Division (ICS)
- 2006: Uniform Framework for Preventing and Combating Fraud and Corruption adopted in September by the IDB, World Bank, African Development Bank, Asian Development Bank, European Bank for Reconstruction and Development, and International Monetary Fund.
- 2007: Anticorruption Activities Trust Fund created with a donation from the Government of Norway
- 2008: Independent review of the IDB's anti-corruption framework
- 2009: Action plan to implement the review recommendations
- 2009: Board approves the Strategy for Strengthening and Use of Country Systems
- 2010: IDB-9 commits the Bank to maintaining a leadership position in the fight against fraud and corruption based on three strategic pillars
- 2011: New Strategy for Institutions for Growth and Welfare includes sections on strengthening public sector management and fighting corruption
- 2011: The IDB contributes to the Anticorruption Activities Trust Fund (AAF)
- 2011: Cross-debarment agreement with other multilateral development banks enters into effect for the IDB
- 2011: Review of the ethics, conduct, and grievance framework.
- 2011: Board approves the Sector Strategy on Institutions for Growth and Social Welfare, with a specific component to support the fight against corruption and promote transparency at the country, sector, and institutional levels through the preparation of plans, sector-level prevention measures, the strengthening of national control systems, access to information, and open government policies
- 2012: Norwegian government increases its contribution to the AAF
- 2012: OVE publishes its first report on the implementation of measures adopted by the IDB to support the fight against fraud and corruption
- 2014: Canadian government and MasterCard contribute to the AAF
- 2015: The United Nations Assembly General adopts the 2030 Agenda for Sustainable Development. The Agenda has 17 goals focused on achieving peaceful and inclusive societies for sustainable development, through the adoption of various targets aimed at achieving a substantial reduction in corruption and bribery in all their forms.
- 2016: Launch of a joint initiative in the area of transparency by the IDB's Institutional Capacity of the State and Water and Sanitation divisions
- 2016: After the emergence of major corruption scandals in Chile, the IDB Group approves financial assistance in the form of policy-based loans
- 2017: The IDB Group publishes a review of the results of the AAF.
- 2017: Independent 10-year evaluation of the AAF acknowledges the approach and the results achieved
- 2017: With realignment of the mandate, products, and services of the Institutions For Development (IFD) Sector, the ICS division changes its name to Innovation in Citizen Services.
- 2017: The Italian and Swedish governments join the AAF as donors
- 2018: Americas Business Dialogue incorporates the strengthening of transparency and integrity as a crosscutting theme and establishes a specific working group. IFD/ICS offers technical support to working groups.

- 2018: The Summit of the Americas Lima Commitment adopts the "Democratic Governance against Corruption" program. IFD/ICS provides technical assistance to the Summit process.
- 2018: IDB Group publishes the first report of the Advisory Group on Anti-Corruption, Transparency, and Integrity in Latin America and the Caribbean
- 2019: Board approves the Update to the Institutional Strategy
- 2019: The first Transparency and Integrity Sector Framework Document is submitted to the IDB Management for approval

Source: OVE (2013), updated by the authors.

Box 3. Main international instruments relating to transparency and Integrity

International Treaties							
Name	Acronym	Organization	Adopted	Objectives	Multilateral Evaluation Mechanism (MEM)	Type of MEM	IDB Countries
United Nations Convention against Corruption	UNCAC	United Nations	December 2005	Establishes preventive and punitive measures against corruption, and promotes cooperation	Yes	Public report with recommendations and periodic monitoring of progress	All
Inter-American Convention against Corruption	IACAC	OAS	1996 2002 Follow-up Mechanism for the Implementation of IACAC (MESICIC)	Establishes preventive and criminal measures against corruption, and promotes bilateral and multilateral cooperation in the area	Yes, MESICIC	Public report with recommendations and periodic monitoring of progress	All
Inter-American Program of Action of Rio de Janeiro against the Illicit Use and Production of Narcotic Drugs and Psychotropic Substances and Traffic Therein	OAS CICAD	OAS	1996	Provides technical support to member countries for implementing measures to prevent drug trafficking and the use of narcotic drugs	Yes	Public report with recommendations and periodic monitoring of progress	All
Group of Experts for the Control of Money Laundering	CICAD GELAVEX	OAS	1999	Associated with the above, specifically for money laundering associated with drug trafficking	No	N/A	All
Convention on Combating Bribery of Foreign Public Officials in International Business Transactions	OECD Convention	OECD	1996	Penalizes transnational bribery with criminal and accounting measures	Yes	Public report with recommendations and periodic monitoring of progress	Argentina Brazil Chile Colombia Mexico
International Standards on Combating Money	FATF Standards	OECD Financial Action Task Force	2012 1989 First version	Establishes preventive, criminal, and cooperation measures for money		Public report with recommendations, periodic monitoring of	All Through two regional groups:

Laundering and the Financing of Terrorism and the Proliferation of Weapons of Mass Destruction				laundering and the financing of terrorism		progress, and a list of non-cooperative countries or territories	CFATF and GAFILAT
Global Forum on Transparency and Exchange of Information for Tax Purposes	Global Forum Standards	OECD Global Forum on Transparency and Exchange of Information	2000	Establishes standards to ensure the automatic exchange of fiscal information		Public report with recommendations and periodic monitoring of progress	All
International Standards (soft law)							
Open Government Partnership	OPG	International initiative (governments and NGOs)	September 2011	Promote transparency, accountability, citizen participation, and innovation, with the ultimate objective of improving public management and the quality of services that citizens receive	Yes	Public report that monitors compliance with the voluntary commitments of governments, with recommendations	Argentina, Brazil, Chile, Colombia, Dom. Republic, Costa Rica, El Salvador, Guatemala, Honduras, Mexico, Panama, Paraguay, Peru, Trinidad and Tobago, Uruguay
International Organization of Supreme Audit Institutions	INTOSAI	Nongovernmental organization with special status with the United Nations Economic and Social Council (ECOSOC)	Founded in 1953. The International Standards of Supreme Audit Institutions (ISSAI) were approved in 2010; these establish basic audit guidelines for implementation in all countries.	Knowledge development and transfer to improve government auditing worldwide (external control), thus enhancing the professional capacities, standing, and prestige of the different supreme audit institutions in their countries.	No	Assessment of compliance with the standards is voluntary. INTOSAI has a designed a performance evaluation tool known as the Supreme Audit Institution Performance Measurement Framework (SAI-PMF), which is currently being piloted.	All
Organization of Latin American and Caribbean Supreme Audit Institutions	OLACEFS	One of the seven regional working groups under INTOSAI	Founded in 1965	These regional working groups are responsible for supporting INTOSAI targets at the regional level and for providing members with a forum for	No		All 20 IDB borrowing member countries in Latin America

[illegible]

Box 4. Conventional methods for measuring corruption

Index	Method	Data	Target of measurement
Transparency International, Corruption Perceptions Index	Survey	Evaluation	Perceptions and experiences of corruption
Transparency International, Global Corruption Barometer	Survey	Perceptions, experiences	Perceptions and experiences of corruption
Transparency International Bribe Payers Index	Survey	Perceptions	Perceptions of corruption
World Governance Indicators, Control of Corruption	Based on various indicators	Evaluation	Good governance
Business surveys	Survey	Experiences	Private sector experience of paying bribes to public officials in specific sectors
Governance and corruption assessments	Survey	Perceptions, experiences	Corruption (administrative, state capture, procurement, misappropriation of public funds, purchasing of licenses) in the public and private sectors
Public expenditure monitoring surveys	Case study indicator	Experiences, evaluations, administrative data	Flow of resources from the point of origin to the destination and determination of the location and scale of the anomaly
Latinobarómetro	Household survey	Perceptions, experiences	Citizen perceptions and experiences of corruption
Capacity to Combat Corruption Index	Expert survey	Evaluations	Ability to uncover, punish, and deter corruption
International Country Risk Guide	Expert survey	Evaluations	Analyzes events affecting risk ratings
Big Data Corruption Index	Media coverage	Big data	Uses algorithms to search for news on corruption and anti-corruption
Source: United Nations Development Programme (2015) and authors.			

Box 5. Measurement methodologies for regulatory reviews

- The OECD Standard Cost Model. This model focuses on the **costs to individuals or businesses of complying with a regulation**. It includes both direct costs (fees) and indirect costs (e.g. time taken to fill out paperwork and hiring of managers)
- The World Bank's Doing Business indicator. This focuses basically on **comparing the complexity, duration, and direct costs of the administrative procedures involved in starting a business**.
- There are other measurements (American Customer Satisfaction Index) that capture the **ease of completing administrative procedures** and other aspects based on measurements of public satisfaction.

A study carried out by IDB specialists—"Simplifying Lives: Quality and Satisfaction in Public Services" (Pareja et al., 2016)—measures the following:

- the **quality of administrative procedures targeted to individuals** (not businesses), analyzing the complexity of the process, the degree of digitalization, and citizen relationship models;
- the outcome of these procedures in terms of **citizen satisfaction**; and
- the **impact** of this satisfaction on **trust in government**.

Source: Indicated in parentheses.

Box 6. Corruption perception and experience indices in LAC, by country

	Corruption Perceptions Index (Transparency International) Score: 0 (highly corrupt) to 100 (highly transparent)	Control of corruption score (WGI) Score 2 (good control) to -2 (poor control)	Global Competitiveness Index (WEF) (Ranking out of 137 countries)	Corruption affects business climate (WEF) 1 (most problematic)
Argentina	39	-0.26	92	7
Bahamas	65	1.17	*	*
Barbados	68	1.42	*	*
Belize	*	-0.27	*	*
Bolivia	33	-0.66	*	*
Brazil	37	-0.53	81	3
Chile	67	1.04	33	13
Colombia	37	-0.37	66	1
Costa Rica	59	0.47	47	7
Dominican Republic	29	-0.74	92	1
Ecuador	32	-0.60	97	4
El Salvador	33	-0.51	105	2
Guatemala	28	-0.74	78	2
Guyana	38	-0.51	*	*
Haiti	22	-1.24	*	6
Honduras	29	-0.72	96	4
Jamaica	44	-0.17	70	3
Mexico	29	-0.93	51	1
Nicaragua	26	-0.87	103	2
Panama	37	-0.54	41	2
Paraguay	29	-0.72	117	1
Peru	37	-0.50	67	1
Trinidad and Tobago	41	-0.36	94	3
Suriname	41	-0.17	*	*
Uruguay	70	1.29	73	15
Venezuela	18	-1.36	130	5
Sources: Transparency International (2017), World Governance Indicators (2017), and World Economic Forum (2017-2018) (*) Not available.				

Box 7. Estimated costs and impact of corruption

Thematic area	Author
Macroeconomics	Mauro (1995, 1996, 1997) World Bank (1997) IMF (2016)
Microeconomics	Mauro (1995, 1996) World Bank (1997) Faccio (2006) Alemu (2012)
Confidence in institutions and rule of law	Zak and Knack (2001) Seligson (2002) OECD (2018)
Poverty	Gupta et al. (2002) Khagram and You (2005) Loayza et al. (2012)
Education	Ferraz and Finan (2011) Reinikka and Svensson (2004, 2005)
Construction of infrastructure	Watkins et al. (2017)
Extractive sector	Fjelde (2009) Arezki and Gylfason (2013) Caselli and Michaels (2013) Christev and Esanov (2018)
Political stability	Mauro (1996) Le Billon (2003)
Debt risk ratings	Ciocchini et al. (2003) Depken et al. (2006) Panizza (2017) Araki and Panizza (2019)
Illicit financial flows	Fontana and Hearson (2012) Fontana (2010) Global Financial Integrity (2019)

**Box 8. Transparency and integrity studies
(cases studies, statistics, and econometrics)**

Thematic area	Author and method
Access to government information	Islam (2006) Tavares (2007) Mungiu-Pippidi (2013) Tandoc (2013) Dokeniya (2013) Young and Verhulst (2016)
Transparency in public investment projects	Arisi et al. (2019)
Criminal legislation	Thompson (2013) McDougall et al. (2008)
International mechanisms to combat impunity	CRS (2019) TI (2017)
Whistleblowers	Arellano and Medina (2012)
Anti-bribery legislation	Cuervo-Cazurra (2007)
Anti-corruption agencies and strategies	Kwok (2006)
Financial intelligence units	Strauss (2010) van Verhoest et al. (2010)
Alignment with international standards	Verdugo (2011) David-Barrett and Okamura (2012) Masciandaro (2013) Corrigan (2013) Arruda and Farias (2014) Collin et al. (2016)
Audit	Avis et al. (2017) Di Tella and Schargrodsky (2003) IMF (2019)
Digital technologies	Aliyev and Zafarov (2019) Jha and Sarangi (2014)
Civil service professionalization	Evans and Rauch (2000) Hira (2016)
Police reform	Dye (2019) Basombrío (2019)
Prevention and control of conflicts of interest	Arellano and Lepore (2007) Arellano et al. (2011)
Application of sanctions by control bodies	Arellano et al. (2012)
Supervision of human resources	Newburn (1999) Greene et al. (2004) Klockars et al. (2005)
Impact of audits on electoral behavior	Ferraz and Finan (2008) Gingerich (2013) Weitz-Shapiro and Winters (2012) Weitz-Shapiro and Winter (2017) Ferraz and Finan (2011)

Box 9. Knowledge outputs in the area of transparency and integrity

Title	Type of output	Year	Thematic area
Development effectiveness and results-based budgeting	Discussion note	2009	Financial integrity
Metodología para el diagnóstico, prevención y control de la corrupción en programas de seguridad ciudadana	Discussion note	2010	Anti-corruption
Participación de la sociedad civil de América Latina y el Caribe en el proceso de seguimiento de la implementación de las Convenciones Internacionales contra la Corrupción: Lecciones aprendidas del apoyo del BID	Technical Note	2010	Anti-corruption
Una mirada independiente: Buenas prácticas en el seguimiento de las convenciones internacionales contra la corrupción por Organizaciones de la Sociedad Civil (OSC)	Technical Note	2010	Anti-corruption
Access to information and targeted transparency policies	Technical Note	2011	Access to information and targeted transparency
Buenas prácticas en materia de fortalecimiento de la ética y la transparencia y de los sistemas de auditoría interna en las aduanas de la región	Technical Note	2012	Anti-corruption
Open Government and Targeted Transparency: Trends and Challenges for Latin America and the Caribbean	Book	2012	Open government
Combating Fraud and Corruption: IDB-9 Evaluation Background Paper	Report	2013	Anti-corruption
La institucionalización y gestión estratégica de acceso a la información y transparencia activa en Chile	Report	2013	Access to information and targeted transparency
Is the Anti Money Laundering Compliance Convenient? International Capital Flows and Stigma Effect in Latin America: The Case of Paraguay	Discussion note	2013	Financial integrity
Efficiency and Transparency in the Public Sector: Advances in Public Procurement in Latin America and the Caribbean (2002-2012)	Discussion note	2014	Public procurement
Winds of Change: The Progress of Open Government Policymaking in Latin America and the Caribbean	Report	2014	Open government
Can States Continue to Govern the New Citizenry Using Old Paradigms? The Political Challenges of Open Government in Latin America and the Caribbean	Document	2014	Administrative simplification
La queja como energía positiva: La experiencia del concurso "El peor trámite de mi vida"	Technical Note	2014	Administrative simplification
Public Financial Management in Latin America: The Key to Efficiency and Transparency	Book	2015	Financial integrity
La tecnología al servicio del combate contrala corrupción: El ejemplo de Bolivia	Technical Note	2015	Integrity
Innovations in Public Service Delivery: Issue No. 1: Can 311 Call Centers Improve Service Delivery? Lessons from New York and Chicago	Technical Note	2015	Administrative simplification

Title	Type of output	Year	Thematic area
Los servicios en línea como derecho ciudadano. El caso de España	Technical Note	2015	Open government
Inovação na Prestação de Serviços Públicos: Número 3: Descomplicar para avançar o caso Minas Fácil"	Technical Note	2015	Administrative simplification
Transparent Governance in an Age of Abundance: Experiences from the Extractive Industries in Latin America and the Caribbean	Book	2015	Natural resources governance
How Much Anti-Money Laundering Effort is Enough? The Jamaican Experience	Policy note	2015	Financial integrity
La auditoría coordinada sobre gobernanza de TI	Report	2015	Sistemas de control
Winds of Change II: Progress and Challenges in Open Government Policy in Latin America and the Caribbean	Report	2016	Open government
Extractives in Latin America and the Caribbean: The Basics	Technical Note	2016	Natural resources governance
Innovation for Better Management: The Contribution of Public Innovation Labs	Technical Note	2016	Open government
The State of Social Housing in Six Caribbean Countries	Report	2016	Access to information and targeted transparency
A Methodological Framework for Comparative Land Governance Research in Latin America and the Caribbean	Technical Note	2016	Access to information and targeted transparency
A Brief History of Tax Transparency	Discussion note	2017	Fiscal transparency
The Use of Corruption Indicators in Sovereign Ratings	Technical Note	2017	Anti-corruption
Rindiendo cuentas: La agenda del Banco Interamericano de Desarrollo en transparencia y anticorrupción (2009-2015)	Technical Note	2017	All
Regulation of Beneficial Ownership in Latin America and the Caribbean	Technical Note	2017	Financial integrity
Transparencia: Impulsando eficiencia en empresas proveedoras de servicios de agua y saneamiento	Technical Note	2018	Access to information and targeted transparency
Identification and Exchange of Information on Politically Exposed Persons in Central American Countries	Technical Note	2018	Financial integrity
La Economía Política de la Agenda de Probidad y Transparencia de Chile	Technical Note	2018	Integrity
Effects of Corruption on Public–Private Partnership Contracts: Consequences of a Zero-tolerance Approach	Technical Note	2018	Integrity
Conflicto de intereses: Desafíos y oportunidades para implementar un sistema efectivo de prevención y control	Technical Note	2018	Integrity

Box 10. Sample of operations with lessons learned

Name of operation	Thematic area	Operation number
Public Sector Efficiency Program	Internal and external control systems	3121/OC-JA, 3122/CH-JA
Innovations to Improve Transparency and Efficiency of Public Investment Systems	Transparency in the extractive industries Internal and external control systems	ATN/AA-15682-RG
CANEF - Transparency and Information Management in the Extractive Sector	Transparency in the extractive industries	ATN/AA-15807-RG, ATN/CN-15829-RG.
Program to Strengthen the Public Investment System	Transparency in the extractive industries	2768/OC-PR
Transparency and Information Management in the Water and Sanitation Sector	Targeted transparency	ATN/AA-15654-RG, ATN/MA-15653-RG.
Program of Support for the Implementation of the Comprehensive Civic Coexistence and Public Safety Policy	Internal and external control systems	2745/BL-HO
Chile's Integrity and Transparency Agenda Support Program	Open government	3617/OC-CH; 3748/OC-CH
Improving the National Control System for Effective Public Management and Integrity	Internal and external control systems	2969/OC-PE
Program to Strengthen Measures to Prevent And Combat Corruption In Brazil's Public Administration	Internal and external control systems	2919/OC-BR
Strengthening Transparency in Brazil	Internal and external control systems	ATN/AA-16776-BR, ATN/FI-16777-BR
Program to Support Transparency and Integrity Reforms in Argentina	Open government Financial transparency	4244/OC-AR; 4796/OC-AR
Productive Paraguay. Transparency and Financing	Internal and external control systems Financial transparency	4401/OC-PR
Transparency and Anti—Corruption Program	Open government	2216/BL-BO
Strengthening the Integrity of Financial Systems: Improving the Capacity to Prevent Money Laundering and Terrorist Financing I	Financial transparency	ATN/AA-13696-RG
Strengthening the Integrity of Financial Systems: Improving the Capacity to Prevent Money Laundering and Terrorist Financing II	Financial transparency	ATN/AA-15291-RG

BIBLIOGRAPHY

Abbink et al. 2002. An Experiment Bribery Game, *Journal of Law, Economics, and Organization* 18 (2).

Abbink, K. 2004. Staff Rotation as An Anticorruption Policy, An Experimental Study, *European Journal of Political Economy* 20.

Abbink, K. and D. Serra. 2012. Anticorruption Policies, Lessons from the Lab, Chapter IV, in Serra, D, Wantcheckon, L, *New Advances in Experimental Research on Corruption, Research in Experimental Economics*, Emerald Group Publishing Limited.

Acemoglu et al. 2002. Institutional Causes, Macroeconomic Symptoms, Volatility, Crisis and Growth, NBER Working Paper Series 9124, Cambridge.

Alatas et al. 2009. Gender, Culture and Corruption, Insights from an Experimental Analysis, *Southern Economic Journal*, 75 (3).

Alemu, M. 2012. Effects of Corruption on FDI Inflow in Asian Countries, *Seoul Journal of Economics*, Vol. 25 (4).

Alessandro et al. 2019. Transparency and Trust in Government, Evidence from a Survey Experiment, Inter-American Development Bank. Working Paper Series IDB-WP-962, Washington, D.C.

Aliyev, Z. and I. Safarov. 2019. Logos, Mythos and Ethos of Blockchain, An Integrated Framework for Anti-Corruption, Paper presented at the 2019 OECD Global Anti-corruption and Integrity Forum, 20-21 March.

Alt, E. and D. Lassen. 2010. Enforcement and Public Corruption, Evidence from US States, EPRU Working Paper Series.

Americas Business Dialogue. 2018. Policy Recommendations and 2018-2021 Action Plan for Growth in the Americas, facilitated by the Inter-American Development Bank, Washington, D.C.

Andreev, S. 2008. Corruption, Legitimacy and the Quality of Democracy in Central and Eastern Europe and Latin America, *Review of Sociology*, Vol. 4.

Araki, S. and U. Panizza. 2019. El Uso de Indicadores de Corrupción en las Calificaciones Soberanas, una Actualización, Technical Note IDB-TN-1608, Inter-American Development Bank, Washington, D.C.

Arellano et al. 2012. Sanciones Administrativas como Mecanismo Anticorrupción, El Caso de México a Nivel Federal, 2005-2008, *Revista de Gestión Pública*, Vol. 1-3, Mexico.

Arellano, D. 2007. Fallas de Transparencia, Hacia una Incorporación Efectiva de Transparencia en Organizaciones Públicas, in Universidad Autónoma del Estado de México, *Revista de Ciencias Sociales* No. 45, Mexico.

Arellano, D. and A. Medina. 2012. Instrumentar una Política de Informes Internos (Whistleblowers), ¿Mecanismo Viable en México para Atacar la Corrupción?, *Foro Internacional* 207, Vol. LII (1), *Red de Revistas Científicas de América Latina, el Caribe, España y Portugal*, El Colegio de México.

Arellano, D. and W. Lepore. 2007. Prevención y control de conflictos de interés, Lecciones para la Administración Pública Federal en México a partir de las experiencias en Estados

Unidos de América y Canadá, Centro de Investigación y Docencia Económicas (CIDE), Working Paper No. 199, Mexico.

Arezki, R. and T. Gylfason. 2013. Resource Rents, Democracy, Corruption and Conflict, Evidence from Sub-Saharan Africa, *Journal of African Economies* Vol. 22, Oxford University Press.

Arisi et al. (2019). Monitoring Public Investment, The Impact of MapaRegalías in Colombia. Discussion Paper IDB-WP-1059, Inter-American Development Bank, Washington, D.C.

Arruda, M. and M. L. Farias. 2014. Does Saying 'Yes' To Capital Inflows Necessarily Mean Good Business? The Effect of Anti-Money Laundering Regulations in the Latin American and the Caribbean Economies, *Economics & Politics*, Volume 26, John Wiley & Sons.

Avellan et al. 2018. Does institutional quality matter for public investment multipliers? Mimeographed publication, Inter-American Development Bank, Washington, D.C.

Avis et al. 2017. Do Government Audits Reduce Corruption? Estimating Impacts of Exposing Corrupt Politicians, *Journal of Political Economy*, The University of Chicago Press.

Balán, M. 2011. Corruption by Denunciation, The Political Dynamics of Corruption Scandals in Argentina and Chile, *Comparative Politics*, Vol 43 (4), City University of New York.

Bandiera et al. 2009. Active and Passive Waste in Government Spending, Evidence from a Policy Experiment, *American Economic Review* 99 (4).

Banfield, E. 1958. *The Morals Basis of a Backward Society*. The Free Press.

Banuri, S. and C. Eckel. 2012. Experiments in Culture and Corruption, A Review, Impact Evaluation Series No. 56, Policy Research Working Paper 6064, The World Bank, Washington, D.C.

Banuri, S. and P. Keefer. 2016. Pro-Social Motivation, Effort and the Call to Public Service, *European Economic Review*, Elsevier, Vol. 83 (3).

Barr et al. 2009. Corruption in Public Service Delivery, an Experimental Analysis, *Journal of Economic Behavior and Organization* 72 (1).

Barr, A. and D. Serra (2009). The Effects of Externalities and Framing on Bribery in a Petty Corruption Experiment, *Experimental Economics* 12 (4).

Basombrío, C. 2019. Estudio de la Reforma Policial en Honduras, Diagnóstico y Perspectivas, Reporte de consultoría para el Grupo BID.

Bird et al. 2008. Tax Effort in Developing Countries and High-Income Countries, The Impact of Corruption, Voice and Accountability, *Economic Analysis and Policy*, Vol. 38 (1), Georgia State University.

Blanco, I. 2014. Transparencia y Gestión Pública, *Revista Sociedad, Estado y Territorio*, Vol. 3 (2), El Colegio de Tamaulipas, Mexico.

Bobonis et al. 2016. Monitoring Corruptible Politicians, *American Economic Review*, Vol 106 (8), August. A4/Collin et al. (2016). The impact of anti-money laundering regulation on payment flows: evidence from SWIFT data, Working Paper 445, Center for Global Development, Washington, D.C.

Boly, A. and O. Armantier (2008). Can Corruption Be Studied in the Lab? Comparing a Field and a Lab Experiment, Working Paper, Centre interuniversitaire de recherche en analyse des organisations (CIRANO), Montreal.

Camacho, A. and E. Conover. 2011. Manipulation of Social Program Eligibility, American Economic Journal, Economic Policy, Vol. 3 (2), May.

Campos et al. 2019. Renegotiations and Corruption in Infrastructure, The Odebrecht Case, Working Paper 0230, Dipartimento di Scienze Economiche "Marco Fanno."

Carpenter, D. and D. Moss. 2014. Preventing Regulatory Capture, Special Interest Influence and How to Limit it, Cambridge University Press.

Carrillo et al. 2017. Do Rewards Work? Evidence from the Randomization of Public Works, Department of Research and Chief Economist, IDB-WP-794, Washington, D.C.

Casas-Zamora, K. and M. Carter. 2017. Beyond the Scandals, The Challenging Context of Corruption in Latin America, Rule of Law Report, Inter-American Dialogue, Washington, D.C.

Caselli, F. and G. Michaels. 2013. Do Oil Windfalls Improve Living Standards? Evidence from Brazil, American Economic Journal, Applied Economics 5 (1).

Centro de Investigación y Docencia Económicas. 2018. Libro Blanco de la Consulta sobre la Política Nacional Anticorrupción, Mexico.

Chêne, M. 2017. The impact of corruption on growth and inequality, Transparency International.

Chong et al. 2015. Does Corruption Information Inspire the Fight or Quash the Hope? A Field Experiment in Mexico on Voter Turnout, The Journal of Politics 77.1.

Chong, A. and F. López de Silanes. 2007. Money Laundering and its Regulation, Inter-American Development Bank, Washington, D.C.

Ciocchini et al. 2003. Does Corruption Increase Emerging Market Bond Spreads? Working Paper, Cornell University.

Copelovitch et al. 2015. Financial Regulatory Transparency and Sovereign Borrowing Costs, Working Draft, December.

Corrigan, C. 2013. Breaking the Resource Curse, Transparency in the Natural Resource Sector and the Extractive Industries Transparency Initiative, Resources Policy 40, University of Pittsburgh.

Cuervo-Cazurra, A. 2007. The Effectiveness of Laws Against Bribery Abroad, University of South Carolina.

Dallagnol, D. 2018. A Luta Contra a Corrupção, Primeira Pessoa, Brazil.

David-Barrett, L. and K. Okamura. 2012. The Transparency Paradox, Why Corrupt Countries Join the Extractive Industries Transparency Initiative, Said Business School, Oxford University.

Davis, K. 2009. Civil Remedies for Corruption in Government Contracting: Zero Tolerance versus Proportional Liability, International Law and Justice Working Papers, New York University School of Law, New York.

de Michele et al. 2018. Effects of Corruption on Public–Private Partnership Contracts: Consequences of a Zero-tolerance Approach, Discussion Paper IDB-DP-625, Inter-American Development Bank, Washington, D.C.

de Michele, R. and N. Dassen. 2018. Conflictos de Intereses, Desafíos y Oportunidades para Implementar un Sistema Efectivo de Prevención y Control, Discussion Paper IDB-DP-626, Inter-American Development Bank, Washington, D.C.

De Rosa, D. et al. 2010. Corruption and Productivity, Working Paper 5348, The World Bank, Washington, D.C.

della Porta, D. and A. Vannucci. 1999. Corrupt Exchanges, Actors, Resources, and Mechanisms of Political Corruption, New York, Walter de Gruyter.

Depken et al. 2006. “Corruption and Creditworthiness: Evidence from Sovereign Credit Ratings,” Working Papers 0601, University of Texas at Arlington, Department of Economics.

Development in the Americas 2018. Better Spending for Better Lives: How Latin America and the Caribbean Can Do More with Less, Inter-American Development Bank, Washington, D.C.

Di Tella, R. and E. Schargrodsky. 2003. The Role of Wages and Auditing During a Crackdown on Corruption in the City of Buenos Aires, Journal of Law, Economics and Organization, 269.

Dix et al. 2012. Risk of Corruption to State Legitimacy and Stability in Fragile Situations. Anti-Corruption Resource Centre, Chr. Michelsen Institute, Norway.

Dokeniya, A. 2013. Implementing Right to Information, Governance and Public Sector Management, PREM Notes No. 5, The World Bank, Washington, D.C.

Dreher, A. and T. Herzfeld. 2005. The Economic Costs of Corruption, A Survey and New Evidence, Heidelberg University.

Dye, D. 2019. Police Reform in Honduras, The Role of the Special Purge and Transformation Commission, Paper.

Ebben, W. and A. de Vaal (2009). Institutions and the Relation Between Corruption and Economic Growth, Nijmegen Center for Economics (NiCE) Working Paper 09-104.

Engel et al. 2018. Report of the Expert Advisory Group on Anti-Corruption, Transparency, and Integrity in Latin America and the Caribbean, IDB-MG-677, Inter-American Development Bank, Washington, D.C.

Etkin, J. 1994. La Doble Moral de las Organizaciones, McGraw-Hill Interamericana, España.

Evans, P. and J. Rauch. 2000. Bureaucratic Structure and Bureaucratic Performance in Less Developed Countries. Journal of Public Economics 75 (1), Elsevier.

Faccio, M. 2006. Politically Connected Firms, American Economic Review 96.

Fazekas et al. 2013. Are EU funds a Corruption Risk? The Impact of EU funds on Grand Corruption in Central and Eastern Europe (Corruption Research Center Budapest, Working Paper 2013:03).

- Fazekas, M. 2017. Red tape, Bribery and Government Favouritism, Evidence from Europe, Crime, Law and Social Change, 68(4).
- Ferraz, C. and F. Finan. 2008. Exposing Corrupt Politicians, The Effects of Brazil's Publicly Released Audits on Electoral Outcomes, Quarterly Journal of Economics.
- Ferraz, C. and F. Finan. 2011. Electoral Accountability and Corruption, Evidence from the Audits of Local Governments, American Economic Review 101.
- Ferraz, C. et al. 2012. Corrupting Learning, Evidence from Missing Federal Education Funds in Brazil, Working Paper 18150, National Bureau of Economic Research.
- Fjelde, H. 2009. Buying Peace? Oil Wealth, Corruption and Civil War, Journal of Peace Research Vol. 46 (2), Sage.
- Fontana, A. 2010. What Does Not Get Measured, Does Not Get Done, The Methods and Limitations of Measuring Illicit Financial Flows. U4 Brief, Anti-Corruption Resource Center.
- Fontana, A. and M. Hearson. 2012. Illicit financial flows and measures to counter them: An introduction. U4 Brief, Anti-Corruption Resource Center.
- Frank, B. and G. Schulze. 2000. Does Economics Make Citizens Corrupt? Journal of Economic Behavior and Organization 43 (1).
- Frey, B. and R. Jegen. 2000. Motivation Crowding Theory, A Survey of Empirical Evidence, Journal of Economic Surveys 15.
- Fung, A. 2007. Full Disclosure, The Perils and Promise of Transparency, Cambridge University Press.
- Gani, A. 2007. Governance and Foreign Direct Investment Links, Evidence from Panel Data Estimations, Applied Economics Letters 753-756.
- Gans-Morse, J. et al. 2017. Reducing Bureaucratic Corruption, Interdisciplinary Perspectives on What Works, WP-17-20, Institute for Police Research, Northwestern University.
- García-Mexía, P. 2001. Los Conflictos de Intereses y la Corrupción Contemporánea, Editorial Aranzadi, Toronto.
- Gingerich, D. 2013. Political Institutions and Party-Directed Corruption in South America, Stealing for the Team (Political Economy of Institutions and Decisions), Cambridge University Press, New York.
- Global Financial Integrity. 2015. Illicit Financial Flows from Developing Countries: 2004-2013, with Dev Kar and Joseph Spanjers, Washington, D.C.
- Global Financial Integrity. 2019. Illicit Flows to and from 148 Developing Countries 2006-2015, Washington, D.C.
- Greene et al. 2004. Police integrity and accountability in Philadelphia, Predicting and assessing police misconduct. National Institute of Justice, Washington, D.C.
- Grimmelikhuijsen et al. 2013. The Effect of Transparency on Trust in Government, A Cross-National Comparative Experiment, 73-4, Public Administration Review.
- Guerrero, M. A. 2015. Medios de comunicación y la función de transparencia. Cuadernos de Transparencia No. 11, Instituto Nacional de Transparencia, Acceso a la Información y Protección de Datos Personales, Mexico.

Gupta et al. 1998. Does Corruption Affect Home Inequality and Poverty? Fiscal Affairs Department, International Monetary Fund, Washington, D.C.

Gupta et al. 2002. Does Corruption Affect Home Inequality and Poverty? Economics of Governance, Vol. 3 (1), Springer-Verlag.

Gyimah-Brempong, K. 2002. Corruption, Economic Growth and Income Inequality in Africa, Economic Governance 3.

Hanna et al. 2011. The Effectiveness of Anti-Corruption Policy, What Has Worked, What Hasn't, and What We Don't Know, Department for International Development Systematic Review, EPPI-Centre.

Heintze, T. S. and S. Bretschneider. 2000. Information Technology and Restructuring in Public Organizations: Does Adoption of Information Technology Affect Organizational Structures, Communications, and Decision Making? Journal of Public Administration and Research Theory, 10 (4).

Hellman et al. 2003. Measuring Governance, Corruption and State Capture, How Firms and Bureaucrats Shape the Business Environment in Transition Economies, Policy Research Working Papers Series 2312, The World Bank, Washington, D.C.

Hira, A. 2016. Broken Windows, Why Culture Matters in Corruption Reform, Journal of Developing Societies, 32 (1).

Hlatshwayo et al. 2018. The Measurement and Macro-Relevance of Corruption, A Big Data Approach, Asia and Pacific Department, IMF Working Paper WP/18/195, Washington, D.C.

Huntington, S. 1968. Political Order in Changing Societies, Yale University Press.

Inter-American Development Bank and Organisation for Economic Co-operation and Development 2019. A Beneficial Ownership Implementation Toolkit, The Secretariat of the Global Forum on Transparency and Exchange of Information for Tax Purposes, March.

Inter-American Development Bank. 2018. Transparency Fund, 2013-2018 Strategy and Results Framework, Washington, D.C.

International Monetary Fund. 2000. Corruption and the Provision of Health Care and Education Services, Working Paper by Sanjeev Gupta, Washington, D.C.

International Monetary Fund. 2016. Corruption, Costs and Mitigating Strategies, Fiscal Affairs and Legal Departments, Staff Discussion Note SDN/16/05, Washington, D.C.

International Monetary Fund. 2019. Fiscal Monitor, Curbing Corruption, Washington, D.C.

Iossa, E. and D. Martimort. 2011. Corruption in Public-Private Partnerships, Elsevier.

Islam, R. 2006. Does More Transparent Governments Govern Better? Policy Research Working Paper 3077, The World Bank, Washington, D.C.

Jacquemet, N. 2007. Corruption as Betrayal, Experimental Evidence, Groupe d'Analyse et de Théorie Economique GATE.

Jarquín et al. 2017. Rindiendo cuentas: La agenda del Banco Interamericano de Desarrollo en transparencia y anticorrupción (2009-2015). Discussion Paper IDB-DP-528, Washington, D.C.

- Javorcick, B. and S. J. Wei. 2007. Corruption and Cross-Border Investment in Emerging Markets, Firm-Level Evidence, *Journal of International Money and Finance*.
- Jha, C. and S. Sarangi. 2014. Social Media, Internet and Corruption, Louisiana State University, Department of Economics, Working Paper 2014-03.
- Johnsøn et al. 2012. Mapping Evidence Gaps in Anti-Corruption, Assessing the State of the Operationally Relevant Evidence on Donors' Actions and Approaches to Reducing Corruption, U4 Brief, Anti-Corruption Resource Center.
- Johnston, M. 2005. *Syndromes of Corruption, Wealth, Power and Democracy*, Cambridge University Press.
- Kaufmann et al. 1999. *Governance Matters*, Policy Research Working Papers Series 2196, The World Bank, Washington, D.C.
- Kaufmann et al. 2007. *Governance Matters VI, Aggregate and Individual Governance Indicators 1996-2005*, The World Bank, Washington, D.C.
- Kaufmann, D. 1997. Corruption, *The Facts*, *Foreign Policy* 107, Summer.
- Kaufmann, D. 2005. Myths and Realities of Governance and Corruption, in *Global Competitiveness Report 2005-2006*.
- Keefer, P. 2013. Organizing for Prosperity, Collective Action, Political Parties and the Political Economy of Development, *Oxford Handbook of the Politics of Development*, Carol Lancaster and Nicholas van de Walle, Editors.
- Keefer, P. and S. Knack. 2005. Boondoggles, Rent-Seeking, and Political Checks and Balances, Public Investment Under Unaccountable Governments, *The Review of Economics and Statistics*, Vol 80 (3), MIT Press.
- Kenny, C. 2007. Construction, Corruption, and Developing Countries. Report WPS4271, World Bank.
- Khagram, S. and J.S. You. 2005. A Comparative Study of Inequality and Corruption, *American Sociological Review* No. 70, Sage.
- Kingston, C. 2007. Parochial Corruption, *Journal of Economic Behavior and Organization*, 63(1).
- Kingston, C. 2008. Social structure and cultures of corruption. *Journal of Economic Behavior and Organization*, 67(1).
- Klitgaard, R. 1988. *Controlling Corruption*, Editorial Sudamericana, Buenos Aires, Argentina.
- Klockars et al. 2005. Enhancing Police Integrity, National Institute of Justice, Office of Justice Programs, U.S. Department of Justice, Washington, D.C.
- Knack et al. 2017. Deterring Kickbacks and Encouraging Entry in Public Procurement Markets: Evidence for Firm Surveys in 88 Developing Countries, Policy Research Working Paper No. 8078.
- Kwok, T. 2006. Formulating and Effective Anti-corruption Strategy, The Experience of Hong Kong, Independent Commission Against Corruption.

- Lagunes, P. 2019. Guardians of Accountability, A Field Experiment on Corruption and Inefficiency in Local Public Works, School of International and Public Affairs, Columbia University, unpublished set of manuscripts (Mexico, New York, Peru).
- Lambsdorff, J. 2003. "How Corruption Affects Productivity," *Kyklos* 56(4), International Review of Social Sciences.
- Laufer, W. 2006. The Importance of Cynicism and Humility, Anti-Corruption partnerships with the Private Sector, in *Fighting Corruption, Business as a Partner*, Development Outreach, World Bank Institute, September, Washington, D.C.
- Le Billon, P. 2003. Buying Peace or Fueling War, The Role of Corruption in Armed Conflicts, *Journal of International Development* Vol. 15, Liu Institute for Global Issues, University of British Columbia.
- Levi, M. 1998. A State of Trust, in Braithwaite, V and Lev, M (eds), *Trust and Governance*, New York, Sage.
- Lewis-Faupel et al. 2016. Can Electronic Procurement Improve Infrastructure Provision? Evidence from Public Works in India and Indonesia, *American Economic Journal, Economic Policy* 9 (3).
- Loayza et al. 2012. Do Middle Classes Bring Institutional Reform? Policy Research Working Paper No. 6015, The World Bank, Washington, D.C.
- Lopez-Ayllón, S. 2011. La Opacidad de la Transparencia, en *Política Digital, Innovación Gubernamental*, Mexico.
- López-Presa, J. 1998. *Corrupción y Cambio*, Fondo de Cultura Económica, Mexico.
- Malem Seña, J. 2012. *La Corrupción, Aspectos Éticos, Económicos y Jurídicos*, Gedisa, Spain.
- Manzetti, L. and C. J. Wilson. 2007. Why Do Corrupt Governments Maintain Public Support? *Comparative Political Studies* 40 (8), Sage.
- Marquette, H. and C. Peiffer. 2018. *Grappling with the Real Politics of Systemic Corruption, Theoretical Debates versus Real- World Functions*, University of Bristol.
- Masciandaro et al. 2007. *Black Finance, The Economics of Money Laundering*, Edward Elgar Publishing Limited.
- Masciandaro, D. 2005. False and Reluctant Friends? National Money Laundering Regulation, International Compliance and Non-Cooperative Countries, *European Journal of Law and Economics*, July, Springer.
- Masciandaro, D. 2013. Is the Anti Money Laundering Compliance Convenient? International Capital Flows and Stigma Effect in Latin America: The Case of Paraguay, Inter-American Development Bank, Washington, D.C.
- Mauro et al. 2019. The Cost of Corruption, September, in *Fiscal Monitor, Curbing Corruption*, Chapter 2 of the IMF's April 2019, Washington, D.C.
- Mauro, P. 1995. Corruption and Growth, *The Quarterly Journal of Economics*, Vol. 110, No. 3, The MIT Press.
- Mauro, P. 1996. The Effects of Corruption on Growth, Investment and Government Expenditure, IMF Working Paper WP/96/98, Washington, D.C.

- Mauro, P. 1997. Why Worry About Corruption? Economic Issues Vol. 6, IMF, Washington, D.C.
- McDougall et al. 2008. Benefit – Cost Analysis of Sentencing, Campbell Systematic Review 2008/10, The Campbell Collaboration.
- McGee, R. and J. Gaventa. 2010. Synthesis Report, Review of Impact and Effectiveness of Transparency and Accountability Initiatives, Transparency and Accountability Initiative.
- Mistry, J. and A. Jalal. 2012. An Empirical Analysis of the Relationship Between E-Government and Corruption, The International Journal of Digital Accounting Research 12, State University of New Jersey.
- Mungiu-Pippidi, A. 2013. FOIA as an Anti-corruption Tool, Hertie School of Governance.
- Newburn, T. 1999. Understanding and preventing police corruption: lessons from the literature, Police Research Series Paper 110.
- Niehaus, Paul and Sandip Sukhtankar. 2013. The Marginal Rate of Corruption in Public Programs: Evidence from India. Journal of Public Economics 104 (August): 52-64.
- Nino, C. 2005. Un País al Margen de la Ley, Emecé, Argentina.
- Noonan, J. T. 1984. Bribes, Los Angeles, University of California.
- North, D. 1990. Instituciones, cambio institucional y desempeño económico, Fondo de Cultura Económica, Mexico.
- Norwegian Agency for Development Cooperation. 2011. Joint Evaluation of Support to Anti-Corruption 2002-2009, Synthesis Report, Oslo.
- Nye, J. S. 1967. Corruption and Political Development, A Cost-Benefit Analysis, The American Political Science Review, Vol. 61 (2).
- OECD. 2003. Implementing the OECD Principles for Integrity in Public Procurement: Progress since 2008. Public Governance Review Series, Paris.
- OECD. 2003. Managing Conflicts of Interest in the Public Service, Paris.
- OECD. 2003. The e-Government Imperative. Paris.
- OECD. 2013
- OECD. 2014. Foreign Bribery Report, An Analysis of the Crime of Bribery of Foreign Public Officials, Paris.
- OECD. 2017a. OECD Recommendation on Public Integrity, Paris.
- OECD. 2017b. Survey on Integrity and Anti-Corruption in State-Owned Enterprises in Latin America and OECD Countries, Background Paper for the 5th Meeting of the Latin American Network on Corporate Governance of State-Owned Enterprises in Bogota, Colombia, 30 November – 1 December.
- OECD. 2018a. Trust and its Determinants, Evidence from the Trustlab Experiment, Working Paper 89, Statistics and Data Directorate, Paris.
- OECD. 2019. Guidelines on Anti-Corruption and Integrity in State-Owned Enterprises, Paris.

- Office of Evaluation and Oversight. 2013. Midterm Evaluation of IDB-9 Commitments: Combating Fraud and Corruption, Inter-American Development Bank, Washington, D.C.
- Office of Evaluation and Oversight. 2019. OVE's Review of PCRs and XSRs 2018, 2019 Official Norwegian Reports. 2009. Tax Havens and Development, Status, Analyses and Measures, Report from the Government Commission on Capital Flight from Poor Countries, Government Administration Services, Oslo.
- Olken, B. 2007. Monitoring Corruption, Evidence from a Field Experiment in Indonesia, *Journal of Political Economy* 115 (2).
- Olson, M. 1965. *The Logic of Collective Action*, Harvard University Press.
- Open Contracting Partnership. 2015. *Why Open Contracting is Essential to Open Government*, Policy Brief.
- Ostrom, E. 1998. A Behavioral Approach to the Rational Choice Theory of Collective Action, *American Political Science Review* 92 (1).
- Pagés et al. 2014. *Empleos para Crecer*, Banco Interamericano de Desarrollo, Washington, D.C.
- Panizza, U. 2017. The Use of Corruption Indicators in Sovereign Ratings, Technical Note IDB-TN-1318, Inter-American Development Bank, Washington, D.C.
- Pareja et al. 2016. *Simplifying Lives: Quality and Satisfaction in Public Services*, Inter-American Development Bank, Washington, D.C.
- Paterson, W. and P. Chaudhuri. 2007. Making Inroads on Corruption in the Transport Sector through Control and Prevention, in *The Many Faces of Corruption*, World Bank and Asian Development Bank, Road Transport Subsector Risk Assessment, Guidance Note, Philippines.
- Pieth, M. 2012. *Collective Action, Innovative Strategies to Prevent Corruption*, Base Institute of Governance, Dike.
- Platt, S. 2015. *Criminal Capital, How the Finance Industry Facilitates Crime*, Palgrave Macmillan.
- Prats, J. 2016. *La gobernanza de las alianzas público-privadas: Un análisis comparado de América Latina*. Documento para Discusión No. IDB-DP-489. División de Mercados de Capital e Instituciones. Banco Interamericano de Desarrollo.
- Reinikka, R. and J. Svensson. 2003. The Power of Information, Evidence from a Newspaper Campaign to Reduce Capture, Working Paper WPS3239, Institute for International Economic Studies, Stockholm University.
- Reinikka, R. and J. Svensson. 2004. Local Capture, Evidence from a Central Government Transfer Program in Uganda, *The Quarterly Journal of Economics*, vol 119 (2).
- Reinikka, R. and J. Svensson. 2005. Fighting Corruption to Improve Schooling, Evidence from a Newspaper Campaign in Uganda, *Journal of the European Economic Association*, Vol 3, MIT Press.
- Reisman, M. 1979. *Folded Lies, Bribery, Crusades, and Reforms*. The Free Press, London.

- Roberts, R. 2001. *An Encyclopedia of Investigations, Scandals, Reforms, and Legislation*, Greenwood.
- Rodrik et al. 2002. *Institutions Rule, The Primacy of Institutions over Geography and Integration in Economic Development*, NBER Working Paper No. 9305.
- Rose-Ackerman, S. 1978. *Corruption, A Study in Political Economy*, Academic Press, New York.
- Rose-Ackerman, S. 1998. *Corrupción y Economía Global*, Isonomía: Revista de Teoría y Filosofía del Derecho 10.
- Rose-Ackerman, S. 1999. *Corruption and Government, Causes, Consequences, and Reform*, Cambridge University Press.
- Rose-Ackerman, S. 2001. *Trust, Honesty and Corruption, Reflection on the State-Building Process*, John M Olin Center for Studies in Law, Economics, and Public Policy Working Papers, No. 255.
- Rose-Ackerman S. and B. Palifka. 2016. *Corruption and Government, Causes, Consequences, and Reform*, Cambridge University Press.
- Roseth et al. 2018. *Wait No More: Citizens, Red Tape, and Digital Government*, Inter-American Development Bank, Washington, D.C.
- Rothstein, B. 2011. *The Quality of Government: Corruption, Social Trust, and Inequality in International Perspective*.
- Rothstein, B. and D. Eek. 2009. *Political Corruption and Social Trust, An Experimental Approach*, Rationality and Society 21(1).
- Sahd, K. and B. Valenzuela. 2018. *La Economía Política de la Agenda de Probidad y Transparencia de Chile*, Centro de Estudios Internacionales y Inter-American Development Bank, Washington, D.C.
- Sample, K. 2018. *Gender Mainstreaming in the Transparency Fund*, Inter-American Development Bank, Washington, D.C.
- Savedoff, W. 2007. *Transparency and Corruption in the Health Sector, A Conceptual Framework and Ideas for Action in Latin America and the Caribbean*, Health Technical Note 03/2007, Inter-American Development Bank, Washington, D.C.
- Schelling, T. 1984. *Choice and Consequence, Perspectives of an Errant Economist*, Harvard University Press.
- Schikora, J. T. 2011. *Bringing Good and Bad Whistle-Blowers to the Lab*, Discussion Paper No. 2011-4, Department of Economics, University of Munich.
- Seligson, M. 2002. *The Impact of Corruption on Regimen Legitimacy, A Comparative Study of Four Latin American Countries*, The Journal of Politics, Vol. 64 (2), Cambridge University Press.
- Sequeria, S. and S. Djankov. 2010. *Corruption and Firm Behavior*, Mimeo, Harvard University.
- Sherman et al. 2002. *Evidence-Based Crime Prevention*. Routledge.
- Stephenson, M. 2019. *Corruption as Self-reinforcing "Trap." Implications for Reform Strategy*, Working Papers Series No. 10, Tinbergen Institute, Netherlands.

Strauss, K. 2010. The Situation of Financial Intelligence Units in Central and Eastern Europe and the Former Soviet Union, Working Paper Series No. 9, Basel Institute of Governance.

Sunstein, C. 2013. *Simpler, The Future of Government*, Simon & Schuster Paperbacks, New York.

Szucs, F. 2017. Discretion and Corruption in Public Procurement, Job Market paper, University of California at Berkeley.

Tandoc, E. 2013. FYI on FOI: Exploring the effects of Freedom of Information (FOI) Laws Around the World, University of Missouri-Columbia

Tavares, S. 2007. Do Freedom of Information Laws Decrease Corruption? Munich Personal RePEc Archive Paper No. 3560, Rochester Institute of Technology, New York.

Thaler, R. and C. Sunstein. 2008. *Nudge: Improving Decisions about Health, Wealth and Happiness*. Yale University Press.

Thompson, D. 1987. *Political Ethics and Public Office*, Harvard University Press.

Thompson, K. 2013. Does Anti-corruption Legislation Work? *International Trade and Business Law Review*, Vol. XVI, University School of Law in Perth.

Transparency International. 2017. *Mission Made Possible, External Oversight and Anti-Corruption in Fragile States, Defence and Security*, U.K.

Transparency International. 2018. *People and Corruption: Latin America and the Caribbean*, Global Corruption Barometer, Berlin.

Trapnell, S. 2017. Review of Results 2007-17, Discussion Paper IDP-DP-554, Inter-American Development Bank, Washington, D.C.

Treisman, D. 2007. What Have We Learned About the Causes of Corruption from Ten Years of Cross-National Empirical Research, *Annual Review of Political Science* 10, Department of Political Science, University of California.

Ugur, M. and N. Dasgupta. 2011. Evidence on the Economic Growth Impacts of Corruption in Low-Income Countries and Beyond, A Systematic Review, London, EPPI-Centre, Social Science Research Unit, Institute of Education, University of London.

UK Aid. 2015. *Why Corruption Matters, Understanding Causes, Effects and How to Address Them*, Evidence Paper on Corruption, United Kingdom Department for International Development.

Unger, B. 2007. *The Scale and Impacts of Money Laundering*, Edward Elgar Pub.

United Nations Development Programme. 2015. *A Users' Guide to Measuring Corruption and Anti-corruption*, New York, U.S.

United Nations Development Program. 2019. *Human Development Report, Beyond Income, Beyond Averages, Beyond Today, Inequalities in Human Development in the 21st Century*, New York.

United Nations Office on Drugs and Crime. 2004. *United Nations' Anticorruption Tool Kit, The Global Programme against Corruption*, Vienna.

United States Government Accountability Office. 2015. *Information Technology Reform, A Report to Congressional Requesters*, Washington, D.C.

van Veldhuizen, R. 2011. Bribery and the Fair Salary Hypothesis in the Lab, Working Paper, University of Amsterdam.

van Verhoest et al. 2010. *Autonomy and Control of State Agencies, Comparing States and Agencies*, Palgrave Macmillan.

Vannucci, A. (2009). The Controversial Legacy of “Mani Pulite”: A Critical Analysis of Italian Corruption and Anti-Corruption Policies, *Bulletin of Italian Politics*, Vol 1 (2), University of Pisa, Italy.

Verdugo, C. 2011. Compliance with the AML/CFT International Standard, Lessons from a Cross-Country Analysis, IMF Working Paper, WP/11/177, Washington, D.C.

Villanueva, E. 2008. *Transparencia y Declaración patrimonial de los Servidores Públicos, Alcances y Límites del Derecho a Saber*. Mexico City: Editora Periodística y Análisis de Contenido.

Warren, M. 2004. What Does Corruption Mean in Democracy? *Midwest Political Science Association, American Journal of Political Science*, Vol. 48 (2), April.

Water Integrity Network. 2016. *Water Integrity Global Outlook*, Berlin, Germany.

Watkins et al. 2017. Lessons from Four Decades of Infrastructure Project-Related Conflicts in Latin America and the Caribbean, *Inter-American Development Bank*, Washington, D.C.

Weitz-Shapiro, R. and M. Winters. 2012. Lacking Information or Condoning Corruption: When Will Voters Support Corrupt Politicians? *Journal of Comparative Politics* 45.4.

Weitz-Shapiro, R. and M. Winters. 2017. Can Citizens Discern? Information Credibility, Political Sophistication and the Punishment of Corruption in Brazil, *The Journal of Politics* 79.1.

World Bank (1997). *World Development Report*, Washington, D.C.

World Bank. 2009. *Deterring Corruption and Improving Governance in Road Construction and Maintenance*, Transport Papers No. 27, September, Washington, D.C.

World Bank. 2015. *Governance Indicators*, World Bank Institute, Washington, D.C.

World Bank. 2016. *Digital Dividends*, World Development Report, Washington, D.C.

World Bank. 2020. *Doing Business 2020, Comparing Business Regulation in 190 Economies*, World Bank Group.

World Economic Forum. 2016. *This is Why Construction is so Corrupt*, Blog.

World Economic Forum. 2017-2018. *The Global Competitiveness Report*, Insight Report, Yescombe, E. R. 2007. *Public-Private Partnerships, Principles of Policy and Finance*. *Comparative Political Studies* 46 (10), Elsevier.

Young, A. and S. Verhulst. 2016. *Open Data Impact, When Demand and Supply Meet, Key Findings of the Open Data Impact Case Studies*, GovLab, Tandon School of Engineering, New York University.

Zak, P. and S. Knack. 2001. Trust and Growth, The Economic Journal No. 111 (470), Oxford.

Zhuang, J. and E. De Dios et al. 2010. Governance and Institutional Quality and the Links with Economic Growth and Income Inequality with Special Reference to Developing Asia, Economics Working Paper 193, Asian Development Bank.