

ANTICORRUPTION ACTIVITIES TRUST FUND OPERATIONAL GUIDELINES

I. BACKGROUND

In March 2007, the Inter-American Development Bank signed an agreement with the Government of Norway to establish the Anticorruption Activities Trust Fund (“the Fund”). The Fund will provide 30 million Norwegian kroner, approximately US\$5 million, to support activities in accordance with the criteria and procedures listed below.

II. FUND OBJECTIVES

The objective of the Fund is to strengthen the institutional capacity of the Bank’s borrowing member countries to prevent and control corruption, by supporting the design and implementation of policies, mechanisms, and/or practices that promote access to information.

III. EXPECTED OUTCOMES

Projects or initiatives financed by the Fund are expected to:

- Foster the development and implementation of innovative practices to promote access to information as a tool for controlling and preventing corruption;
- Build up the capacity of public institutions, civil society organizations, and the private sector to use access to information for promoting integrity and curbing corruption;
- Strengthen strategies for prevention and control of corruption in Bank operations.

IV. BENEFICIARIES

The beneficiaries of Fund-financed projects are the Bank’s borrowing member countries.

V. PROGRAM AREAS

The Fund addresses four major areas, each of which is divided into specific intervention sectors, for which illustrative examples of potential initiatives are provided:¹

Transparency in the Public Sector

Opportunities to use access to information as a tool for controlling public-sector corruption can be found in a wide range of initiatives in a number of sectors, including budget management, procurement, judicial and enforcement agencies, public records, tax administrations, social

¹ The sectors mentioned under each area and the examples of initiatives given for each do not represent an exhaustive list of all potential interventions the Fund seeks to promote.

security and welfare programs, public works management, and integrity of public officials, among others. Some examples are provided below, for illustration purposes only:

Sector I: Budget formulation, adoption, execution, and monitoring

Mechanisms that enhance transparency in each phase of public budget management should include easy-to-use, access to public information tools, for the purpose of increasing interaction between government agencies and civil society during policy-making processes, thus reducing the potential for improper allocations of funds. The concept of budget transparency entails having mechanisms in place for timely and effective access to budgetary information during the budget formulation, adoption, execution, and monitoring phases, and allowing this access to translate into horizontal and vertical participation, monitoring, and oversight.

The following list illustrates potential options for intervention in this sector:

- (i) Systems, procedures, and practices that promote and enhance access to information regarding each phase of budget management;
- (ii) Mechanisms to facilitate civil society participation in monitoring budget execution;
- (iii) Systems and mechanisms to facilitate civil society participation during budget formulation and finalization;
- (iv) Systems or mechanisms for accessing reports by the agencies that oversee budget performance and execution.

Sector II: Contracting and Procurement Procedures

Public procurement procedures should be published periodically in a form that is simple and understandable to the general public. Private-sector organizations, civil society, and other public-sector agencies should be able to rely on rapid and efficient channels of access to information on goods and services procured by the public sector, including beneficiaries, prices, and quality standards. This encourages increased competition, enables the public to demand efficiency in government decision-making, and helps the public to better understand the final outcomes of those decisions.

The following list illustrates potential options for intervention in this sector:

- (i) Mechanisms for disclosure of information relating to the different phases of current and scheduled procurement processes;
- (ii) Electronic mechanisms for government procurement;
- (iii) Internet portals for access to and dissemination of public procurement information.

Sector III: Transparency of the Justice System

The importance of transparency in the judicial system can be viewed from two perspectives. The first is internal and involves the transparent management of resources used by judicial bodies (appointments, contracting, budget execution, case management, etc.) with the objective to

prevent corruption and enhance efficiency. The second is external, having to do with the manner in which judicial system activities serve as the basis for corruption control and accountability functions exercised through formal mechanisms, such as investigations conducted by the public prosecutor's office, or informally, with the participation of civil society and other stakeholders.

The following list illustrates potential options for intervention in this sector:

- (i) Information systems necessary to ensure that the general public has access to information about judicial decisions and actions, budgets of judicial bodies, systems and processes for appointing judicial officials, and actions by internal investigative or disciplinary bodies, among others;
- (ii) Information systems for publicizing judicial decisions and the results of investigations;
- (iii) Systems for access to case management information;
- (iv) Information systems that allow members of the judiciary to publicly disclose their interests and assets;
- (v) Systems that use access to information tools to facilitate investigative efforts by the public prosecutor's office and other investigative agencies;
- (vi) Systems that enable citizens and civil society organizations to file complaints about acts of corruption;

Sector IV: Transparency of Public Records

Public records based on standards of efficiency and transparency have a crosscutting impact on practically all sectors in which the Fund might intervene. For example, it has been demonstrated that the use of information technologies for organizing and managing public records directly increase the transparency of public resource administration. Public records should also be accessible to the general public, and should have friendly means to allow for effective search and utilization.

The following list illustrates potential options for intervention in this sector:

- (i) Digitization of public records (including public property and business records), making information access quick and easy for the general public and for oversight agencies.
- (ii) Information technologies and systems for publishing information contained in public records, and mechanisms that make it practical for general citizens and specific users to access the information.
- (iii) Use of information technologies and systems for integrating public records as a way to increase transparency and prevent corruption.

Sector V: Integrity of Public Officials

The Inter-American Convention against Corruption and the United Nations Convention against Corruption make reference to the integrity of public officials and to systems for them to disclose their assets and liabilities (via sworn statements). The purpose of such systems is for public

officials to report information on their income, investments, work history, and any other aspects that the law deems relevant for detecting and preventing conflicts of interest and/or controlling illicit enrichment. Access to the information contained in these statements has proven to be an effective tool in preventing conflicts of interest and in the oversight of public officials.

The following list illustrates potential options for intervention in this sector:

- (i) Systems for financial disclosure of public officials that provide oversight agencies and citizens with access to information about the net worth, income, assets, liabilities, and interests of public officials;
- (ii) Mechanisms or procedures for publicizing and recording working agendas;
- (iii) Mechanisms or procedures for regulating entry into and exit from public office, in order to prevent conflicts of interest stemming from a situation prior to, during, or after the period of service.
- (iv) Public employment record systems, with staff payroll lists, incomes, and other information that can serve to limit opportunities to hold multiple jobs or otherwise abuse government employment.

Transparency in the Services Sector

Public services are particularly prone to corruption, to the detriment of both the quality of life of citizens and efficient resource allocation. The delivery of many services (such as water, sewage systems, energy, telecommunications, etc.) entails economies of scale that are conducive to natural monopolies, major investments and constant technological developments. The services area includes health, social security systems, education, water distribution, and environmental sanitation systems, among others. The following examples are for illustration purposes only:

Sector I: Transparency in the Health Sector

The health sector is particularly vulnerable to corruption for a number of reasons, including the broad diversity of services, the wide range and costs of procurements, the large number of parties involved the asymmetry of information that exists among those parties, and the very nature of demand, among others.

The following list illustrates potential options for intervention in this sector:

- (i) Systems for publishing reference prices for the procurement of medications and other health services-related inputs procured by or on behalf of the public sector.
- (ii) Access to information mechanisms pertaining to health services contracted with public funds or within the context of mandatory health insurance contributions.

Sector II: Transparency in Retirement and Pension systems

The most common opportunities for corruption in retirement and pension systems are associated with the inefficient systemization of work histories, manual systems for calculating retirement

and pension benefits, and the technological/functional inadequacy of electronic systems used in administering retirements and pensions, among other issues.

The following list illustrates potential options for intervention in this sector:

- (i) Systems that foster and enhance access to information and that standardize and integrate retirement and pension benefit information in order to make that information available to the public;
- (ii) Support for digitizing and periodically updating work records;
- (iii) Creation of systems for monitoring publication of information furnished by retirement and pension service providers.

Transparency in the Private Sector

Fraudulent and corrupt dealings in the private sector diminish the trust needed to sustain economies, and pass the costs of fraud on to products and services in the form of higher prices or lower quality. Access to information and transparency in the private sector can translate into benefits not only for companies, but also for other economic agents. This area encompasses the extractive industries, financial institutions, corporate governance, and transparency of capital markets. The following examples are for illustration purposes only:

Sector I: Transparency in Extractive Industries

Opportunities for corruption in extractive industries present themselves along a spectrum that begins with bidding and contracting for resource extraction, transportation, and refining and ends with the distribution of profits.

The following list illustrates potential options for intervention in this sector:

- (i) Information systems that would allow public institutions to disseminate information in a periodic and timely manner about contracts signed between extractive companies and the government, as well as reports on gross revenue, expenditures, sales volume, prices, and tax payments;
- (ii) Development of transparency standards to be adopted by private companies in the extractive industries;
- (iii) Systems that strengthen institutional capacity for monitoring the allocation and appropriation of profits from the extractive industries;
- (iv) Systems that facilitate access to industry information so it can become a practical tool for horizontal and vertical control of management of resources and profits in the extractive industries.

Sector II: *Transparency in Financial Institutions*

Institutions that regulate the financial sector can be more effective if their objectives, principles, and operating methods are communicated clearly and simply to the public and, particularly, to investors. Transparency practices in financial institutions improve market efficiency.

The following list illustrates potential options for intervention in this sector:

- (i) Information systems on the operation and solvency of financial institutions;
- (ii) Systems to prevent the financial system from being used for corruption-related money laundering.

Transparency in Political Activities

One of the main features of reforms aimed at reducing political corruption is the realignment of incentives to furnish and obtain information regarding the relationships between money and activities by political parties and others connected to political activities. Corruption control in politics should also be accompanied by effective sanctions for transgressions. Disclosure of funding sources and compliance with obligations are recurrent themes in all initiatives in this area. Such disclosure should help voters and the general public to access and understand information for them to understand, for instance, the links between parties, candidates, legislators, and different interest groups. The following examples are for illustration purposes only:

Sector I: *Transparency in Political Campaign Finance*

Control over the financing of political activities affects the quality of democracy. A lack of effective controls in this sector impacts how the political system functions and the accountability of those who serve as political representatives. Access to information on political campaign finance enables ties between politicians and interest groups to be identified, raises the cost and risk of candidates' being caught, and creates incentives for horizontal control (among political parties), and vertical control (by providing civil society with inputs and criteria by which to evaluate decisions by public officials).

The following list illustrates potential options for intervention in this sector:

- (i) Control and accountability systems for political party finances;
- (ii) Systems to facilitate dissemination of political campaign finance information;
- (iii) Utilization of uniform balance sheets that allow easy comparisons of financial and accounting information furnished by parties and candidates;
- (iv) Systems to make election spending accounting records available.

Sector II: *Transparency in Parliamentary Administration*

Factors that greatly impact levels of transparency and efficiency in parliaments include: the difficulties that both civil society and even public officials have in gaining access to

parliamentary information; inadequate human resources training; and lack of awareness of and/or noncompliance with internal regulations and procedures of legislative bodies.

The following list illustrates potential options for intervention in this sector:

- (i) Systems for accessing and publishing information about legislative activities;
- (ii) Systems for monitoring legislative decisions that allow for analysis of decisions on an individual basis;
- (iii) Systems to regulate conflicts of interest in legislative activity.

VI. SUBMISSION OF PROPOSALS

A. Eligible Countries

All borrowing member countries of the Bank are eligible to receive financing from the Fund. Regional and sub-regional projects are also eligible.

B. Eligible Entities

Financing proposals can come from the Bank, public-sector entities, or—where there is no objection from the governments of the beneficiary countries—from civil society organizations, regional and sub-regional organizations, non-governmental organizations (NGOs), and community-based organizations that have the legal status to receive non-reimbursable technical assistance funding. Proposals will be presented in accordance with section VII of these Operational Guidelines.

C. Eligible Activities

In the four areas of Fund intervention, resources may be used for:

- Support for innovative initiatives to create or improve access to information systems or mechanisms as tools for fighting and preventing corruption (see illustrative examples given for each potential intervention area or sector); or
- Targeted support for preparation or execution of Bank projects (loans or technical-cooperation operations) involving areas, strategies, or methodologies whose objective is to use access to information as a means to control and prevent corruption, in the event such activities are not covered by those loans and technical-cooperation operations.

D. Eligible Expenses

Fund resources may be used to contract consulting services, training, or other activities compatible with the objectives of the Fund. A reasonable amount of Fund resources may be used to support project coordination and administration in order to successfully implement planned

activities. For public-sector institutions, a reasonable amount of Fund resources may be used to procure equipment, when necessary for meeting project objectives.

Services and equipment financed by the Fund will be selected and procured in accordance with the Bank's procurement policies and procedures.

E. Project Execution

As a general rule, execution of Fund-financed operations will be the responsibility of the beneficiary, except where, if duly justified and the Bank agrees, the beneficiary can designate a third party to act as the executing agency (public and private-sector entities or regional or sub-regional organizations) in accordance with the Bank's framework for and policies on technical cooperation (documents GN-2470-2 and GN-2470-3). For regional projects, the executing agency will ensure that activities are coordinated with all beneficiaries in the relevant countries.

The execution and disbursement periods for Fund-financed projects will generally not exceed two years.

VII. PROCEDURES, SELECTION AND APPROVAL OF PROPOSALS

In order to submit proposals to the Fund it is required that interested organizations contact a Bank specialist to revise and endorse the project according to the financing requirements and criteria for selecting proposals described in sections VII. A and VII B, respectively. Proposals are received and reviewed on a rolling basis.

The Bank specialist submits the expression of interest to the Single Window (SW) in the Grants and Co-Financing Management Unit (VPC/CGM). The SW analyzes the proposal in order to identify the most suitable funding source. If the proposal is eligible to be funded by the Fund and the Fund is considered the most suitable funding source, the SW will submit the expression of interest to the Fund manager, which will start the selection and approval process described in section VII C.

All proposals submitted to the Fund will follow the Bank's standard policies and procedures on processing, approval, procurement, disbursement, and reporting.

A. Financing Requirements

Financing of proposals will be subject to the following requirements:

- (i) *No objection from the Beneficiary Country*: When the applicant is a private entity or a regional or sub-regional organization, the no objection of the respective beneficiary government(s) will be required.
- (ii) *Relevance to the Fund's Objective*: Proposals should seek either to create or to strengthen systems, mechanisms, tools, and/or practices that facilitate the availability

of open, systematic, orderly, accessible, and up-to-date information, and indicate how this access will reduce opportunities for corruption and foster integrity.

- (iii) *Relevance to Technical Cooperation Policies:* Proposals must be aligned with the Bank's framework for and policies on technical cooperation (documents GN-2470-2 and GN-2470-3).
- (iv) *Relevance to Bank Strategies and Operations:* Consideration will be given to how a proposal aligns with the Bank's regional, country, and/or sector strategies, as well as what value the proposal adds to the borrowing member countries' portfolios of Bank projects;
- (v) *Relevance to the work plans formulated by the Bank's Operational Divisions:* Proposals must be aligned with the work plans developed by the Bank's operational divisions and must be consistent with the programs and/or activities these divisions have under way.

B. Criteria for Selecting Proposals

The selection of proposals will be guided by the following criteria:

- (i) *Institutional capacity:* Importance will be attached to the way in which proposals seek to strengthen the capacity of institutions responsible for providing information access in their respective areas and sectors. Preferably, activities should be connected with other initiatives that share a common purpose, such as institutional strengthening and development, governance, coordination among different civil society, public-sector, and private-sector actors, application of international standards of good practice, monitoring of international agreements against corruption, etc.
- (ii) *Technical quality and added value:* Proposals should present information that allows them to be evaluated in terms of sustainability, relevance, impact, effectiveness, efficiency, and execution capacity. These criteria are briefly described as follows: sustainability is the long-term continuity of expected benefits and outcomes of initiatives; relevance is the extent to which the program objectives are consistent with the requirements and needs of countries and sectors specifically targeted for intervention, and with the priorities of donors; impact(s) include both positive and negative, and primary and secondary effects, and direct or indirect temporary effects associated with the proposal; effectiveness is a proposal's potential for achieving the proposed objective; efficiency is the relationship between proposed objectives and the resources and means used to achieve them; and execution capacity is the extent to which the agencies or organizations in charge of executing the initiatives are capable of implementing them effectively and efficiently.
- (iii) *Geographic and/or Sector Representation:* Proposals may be selected with an eye to balanced representation of different sectors, countries, and regions, considering demand, based on the proposals received, and the Bank's programming priorities.
- (iv) *Innovation:* Proposals should introduce innovative mechanisms, tools, or systems for fostering access to information as a tool for controlling and preventing corruption.

- (v) *Replicability*: Value will be given to the potential for a proposal to contribute a set of lessons learned that could be applied in future Bank operations in other countries, in the same or in other sectors or areas of intervention.
- (vi) *Supply of and/or Demand for Information*: Consideration will be given to how the proposal intends to: (a) increase the availability of information and/or reduce information asymmetries among information providers and users; and/or (b) increase capacity among various stakeholders to demand and utilize information to conduct activities that improve transparency and reduce opportunities for corruption.

C. Selection and Approval Process

The selection process will proceed through the following stages:

- (i) *Evaluation of Eligibility*: The Fund manager in VPC/GCM preliminary evaluates the proposal's eligibility to decide its alignment with the Fund's objectives and strategic approach. In order to do this evaluation, the Fund manager counts with the support of the Fund's Technical Advisor, who works in the Institutional Capacity of the State Division (ICF/ICS). The Fund manager and/or the Technical Advisor may request additional information to the project team led by a Bank specialist.
- (ii) *Technical Evaluation of Proposals*: The Fund's Technical Advisor makes an evaluation of the technical quality of each eligible proposal. This evaluation consists of an analysis of the project's (i) potential impact; (ii) implementation feasibility; and (iii) sustainability.
- (iii) *Recommendation of Proposals*: Eligible proposals are submitted for consideration to the Fund's Technical Review Committee (TRC), along with the technical evaluation. The TRC is composed of specialists from VPC/GCM, ICF/ICS, and the Office of Institutional Integrity (PRE/OII) and, if need be, specialists from the relevant operational divisions, depending on the proposal's technical content. The Fund's Technical Advisor is the secretary of the TRC. The TRC selects the proposals according to the selection criteria described in section VII-B.
- (iv) *Fulfillment of Financing Requirements*: The Bank operational divisions concerned will take the necessary measures to ensure that the financing requirements described in section VII-A of this document are met.
- (v) *Approval*: The Bank operational divisions concerned will lead the presentation of TRC-recommended proposals that meet financing requirements to the Bank's approving authorities, in accordance with the processes established for the approval of technical cooperation funding. The Bank's operational divisions will be responsible for the technical quality of the proposals they submit for approval.

VIII. FUND MONITORING

Project teams must submit a technical cooperation program completion report (see Annex I) to describe project outputs and outcomes, as well as lessons learned. Fund-financed programs that are linked to the loan portfolio should integrate project outputs and outcomes to the wider

monitoring and evaluation processes applied by the Bank, such as portfolio programming and review, project performance monitoring reports, project completion reports, and other such standard instruments.

IX. ADDITIONAL INFORMATION

These Operational Guidelines are intended to provide information on the Fund. Nothing in them should be construed to contradict the agreement signed by the Government of Norway and the Bank to establish the Fund or the Bank policies or procedures that apply, as appropriate, to technical cooperation operations.

ANNEX I

Anticorruption Activities Trust Fund (AAF) TC Project Completion Note	
I. Basic Information	
	<ul style="list-style-type: none">• Project number, title, country/region:• Relation to Bank operation(s):• Project team members:• AAF contribution (in USD), and % of total project financing:• TC project approval date, execution period:
II. Restatement of Objectives and Key Activities	
III. Outputs and Outcomes	
IV. Contribution to Bank Program(s)	
V. Lessons Learned (substantive/operational as well as managerial)	
VI. Recommendations to the AAF and to the Bank	