

# STRENGTHENING TRANSPARENCY AND ACCOUNTABILITY FOR IMPROVED GOVERNANCE



# ABOUT US



*“Increasing transparency and preventing corruption are pillars of the development mission of the IDB.”*

Remarks of IDB President Luis Alberto Moreno during the event “Transparency and Integrity as Conditions for Sustainable Development,” held in Washington, DC, December 15, 2011.



**The Inter-American Development Bank (IDB)** is the main source of development resources and knowledge for the Latin American and Caribbean (LAC) region. Together with the governments, businesses, and civil society of our 48 member countries, we support the efforts of 26 countries in the LAC region to reduce poverty and inequality, and to promote sustainable growth with equity and respect for the environment. The IDB facilitates regional dialogue, the exchanges of experiences, and best practices, and provides financing, technical assistance, and applied knowledge to the greatest regional development challenges.

To accomplish our mission, we depend on sectoral departments specialized in the main public policy and private sector issues in the LAC region. Among the most pressing topics in this area are improved governance and institutional strengthening. These topics are the purview of the Institutional Capacity of the State Division (ICS) of the Institutions for Development Sector (IFD), which leads and articulates the work of the IDB in support of country efforts to improve public management, transparency, and accountability.

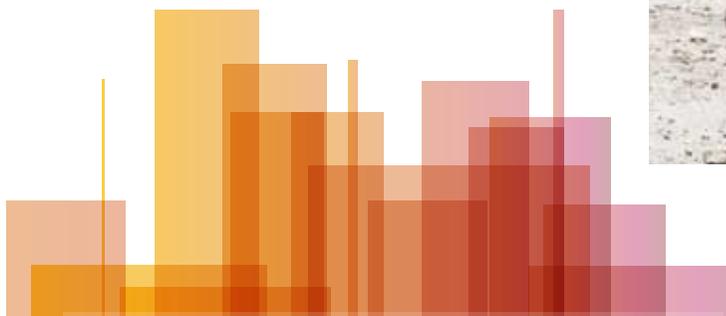
*...the Institutional Capacity of the State Division (ICS) leads and articulates support to countries to improve public management, transparency, and accountability.*

# SOME FACTS THAT ILLUSTRATE WHY TRANSPARENCY AND ACCOUNTABILITY ARE IMPORTANT

The countries of the LAC region consistently fall below global averages on issues that affect the business climate and confidence in state institutions, which has a significant impact on their competitiveness.

Diverse indicators in the region show a correlation between competitiveness and (i) transparency policies, (ii) mechanisms for the prevention and control of corruption, and (iii) institutional capacity to audit public resources. It is therefore concerning that 48 percent of the population believes that what is missing from democracy is the reduction of corruption; that 44 percent have paid bribes to accelerate some transaction; and that 34 percent have done so to receive a public service. It is also worrisome that the control of corruption is weaker in the LAC region than in other regions of comparable levels of economic development.

Corruption weakens economic and social development, as well as the credibility and legitimacy of democratic governance. Recognizing this reality and its costs to the development agenda, [the IDB defines the promotion of institutions that view transparency and accountability as useful tools to prevent and control corruption, and that improve quality and efficiency in the provision of public services, as a sector priority.](#)





# THE IDB, A PARTNER SERVING COUNTRIES TO STRENGTHEN THEIR TRANSPARENCY AND ACCOUNTABILITY, PROVIDES:

- **Experience**, as an organization with 50 years of experience providing technical and financial assistance to countries to strengthen state institutions so that they operate with transparency and responsibility in public management.
- **Knowledge** of the region and sector, which includes applied research, analysis, measurement, and monitoring of the progress made.
- **Access to a broad network of experts** inside and outside the LAC region, consisting of academic research centers and specialists from other international development agencies, governments, and the private sector.
- **Financial capacity as the region's principal multilateral institution**, making possible the approval of investment loans in governance that total more than US\$800 million, as well as technical cooperation grants and advisory and knowledge services valued at approximately US\$70 million.
- **Multidisciplinary action** that facilitates support to countries in preventing and controlling corruption, with a focus on promoting integrity in governance and service delivery across multiple sectors and areas, specifically: the allocation of agricultural subsidies, issues related to teaching prevention of corruption in schools, access to credit for public





housing, oversight of public resources, and governability in the extractive industries and the financial sector.

- **A robust monitoring and evaluation system** that demonstrates how projects supporting the strengthening of transparency and accountability in government significantly improve people's lives and that ensures that these projects are carried out according to high standards of transparency, ethics, and integrity.

# AREAS IN WHICH WE WORK

## Examples of some of our interventions

- **Targeted transparency, access to information, and open government, including the use of technological innovation as a tool to maximize this agenda**
  - Design and application of [transparency standards in information](#) for the extractive industries in Ecuador.
  - Design and expansion of the first [Public Spending Observatory](#) in Brazil, which facilitates the identification of anomalies and corruption in the allocation of public resources.
- **Monitoring of government entities and transactions, including legislative oversight**
  - [Comprehensive modernization of high-level audit entities](#) in Brazil and Peru; strengthening of [internal and external oversight processes](#) in Chile, Guyana, and Nicaragua; and the creation of these processes in Haiti.
  - Expansion of [technical assistance services to parliamentarians and citizens](#) by the National Library of Congress of Chile.
  - Development of “Interlegis” in Brazil, a [virtual community at the federal, state, and municipal legislative levels to improve communication and the flow of information](#) between legislators and constituents.
- **Policies, strategies, and action plans as part of international anticorruption and open government agreements**
  - Support to the design and implementation of [national policies and strategies for the prevention and monitoring of corruption](#) in El Salvador.



- **Civil society participation in accountability**

- Creation of entities responsible for the promotion of transparency, participation, and accountability in the prevention of corruption, specifically: the Transparency Council in Chile, the Ministry of Institutional Transparency and the Fight Against Corruption in Bolivia, and the Anticorruption Participatory Initiative in the Dominican Republic.

- **Analysis and design of methodologies**

- Design and application of diagnostic tools in oversight agencies in Ecuador, Mexico, and Nicaragua.
- Implementation of methodologies for the assessment, prevention, and monitoring of corruption in sectoral programs of electrical energy, financial systems, and public safety.
- Design of a tool to evaluate and promote transparency in at-risk sectors and activities, such as the allocation of subsidies to the private sector in Argentina.

*“We might hope to see the finances of the Union as clear and intelligible as a merchant’s book, so that every member of Congress, and every man of any mind in the Union, should be able to comprehend them, to investigate abuses, and consequently to control them.”*

Thomas Jefferson, 1802



# COUNTRIES CURRENTLY RECEIVING SUPPORT TO STRENGTHEN TRANSPARENCY AND ACCOUNTABILITY



# INNOVATION IN GOVERNANCE THROUGH TRANSPARENCY

## History of select projects

### **“EXTRACTING TRANSPARENCY” IN ECUADOR** **Transparency standards improve the quality of information in the petroleum sector**



Despite its importance for the state and society, information about Ecuador’s petroleum sector is difficult to access, highly dispersed, and technically complex, all of which complicates governance of the hydrocarbon industry. The petroleum sector has presented low compliance rates with the Organic Law of Transparency and Access to Public Information (LOTAIP).

The project “Extracting Transparency,” implemented by the Foundation for the Advance of Reforms and Opportunities (the FARO Group), with the support of the IDB’s Transparency Fund, proposes an increase of transparency in the sector, which will strengthen accountability and civil society participation.

Since 2008, the IDB has provided technical assistance grants valued at approximately US\$450,000. These grants have financed the design and implementation of transparency standards, starting with the vulnerabilities identified throughout the value chain of petroleum sector activity.

The application of transparency standards in public sector entities and businesses has improved the quality of information provided by the petroleum sector, as well as the ability of civil society to use this information. Before the implementation of this project, about 28 percent of people surveyed in the Coastal, Northern Amazon, Southern Amazon, and Sierra regions of Ecuador understood the information provided by the petroleum sector. However, toward the end of the project, that figure increased to 85 percent. In line with this data, the Transparency Index, compiled by Revenue Watch 2010, added Ecuador to the list of countries—which includes Brazil, Chile, Colombia,

Mexico, and Peru—that provide substantial amounts of information regarding the resources derived from the extractive sector.

Even though there are still challenges in terms of increasing transparency in Ecuador’s petroleum sector, there has been significant progress in an industry in which the lack of transparency has a cost that oscillates between 2.8 and 18.7 percent of GDP.

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## SUPPORTING EXTERNAL OVERSIGHT AT THE SUBNATIONAL LEVEL IN BRAZIL

### **30 Courts of Auditors coordinate efforts at the federal level to improve citizen-centered management**

A study carried out in 2003, on perceptions of the Courts, of Auditors (CA) of Brazilian states and municipalities, reported that 90 percent of those interviewed identified lack of transparency and relationship with civil society, as well as bureaucratization of activities and responses, as key problems.

The Program of Modernization of External Monitoring Systems of the Courts of Auditors of the States, Federal District, and Municipalities of Brazil (Promoex), to which the IDB has provided a loan of approximately US\$40 million, works to strengthen external monitoring by civil society, starting with the deepening of inter-governmental and inter-institutional relations in compliance with the Fiscal Responsibility Law.

Promoex has enabled the comprehensive modernization of 30 CA, specifically of their monitoring processes, sector auditing, human resources, citizen transparency and participation, and strategic planning. Likewise, joint implementation with the federal government, through the Ministry of Planning, has aligned state and municipal goals and objectives with those of the national government, and has promoted collaboration among the CA, embodied in the National Court of Auditors Network and Portal (<http://www.controlepublico.org.br/>), which provides important information to the citizenry about public spending at the subnational level.

In addition, Promoex has allowed for a qualitative leap in the work of control institutions, since it has not been limited to improving audit functions, but has transformed CA into key organizations for transparency and citizen participation, and has optimized public management and accountability.

## ESTABLISHING ANTICORRUPTION INSTITUTIONS IN HAITI

### The Anticorruption Unit advances towards its goal of lowering the Corruption Perception Index

In 2002, corruption and lack of transparency were among the most serious problems of economic governance of Haiti's public sector. Haiti reported levels below regional averages in all of the World Bank's governance indicators (2003), with the indicator of corruption control showing the worst results. During 2004 to 2005, several notorious cases of corruption underscored the urgency of addressing institutional weaknesses in the country to prevent and control this problem.

In this context, the government created the Anticorruption Unit, whose mandate is combating and reducing the incidence of corruption. Under its leadership, the country has built a legal and institutional framework for the prevention and control of corruption that has begun to bear fruit. More than 50 outstanding cases have been investigated, of which 30 have been referred to the Attorney General; various officials have been prosecuted, including several who were imprisoned for corruption offenses; and a significant corruption network has been identified, through which several million Haitian Gourdes (HTG) that had been diverted from the education sector have been recuperated. Another US\$3 million have been diverted from insurance administration authorities.

In 2004, the IDB provided technical assistance in the amount of US\$500,000, which was used to finance: (i) the review and assessment of the adherence of the legal framework to the requirements of the Inter-American Convention Against Corruption; (ii) the development of a strategy and action plan to prevent corruption and promote transparency in public management; (iii) the design and establishment of a system of affidavits for public servants and a system of public tenders by the public sector; and (iv) the equipping of the Anticorruption Unit.

The government of Haiti has projected that it will increase its score on the Corruption Perceptions Index (CPI) from, according to Transparency International, 1.5 in 2003, to 4.5. The challenge is still great, but, although it is progressing at a modest rate, Haiti is showing signs that it is on the right path. In 2011, Haiti's CPI rose to 1.8, with a ranking of 175 among 182 countries.

*Transparency builds citizenship. The LAC region is committed to open and transparent government, not only because it is a tool for preventing and controlling corruption, but also because it strengthens democracy and improves the effectiveness of the state, especially in the provision of public services. **Transparency** transforms the bureaucratic culture by introducing discretionary counterweights. It improves efficiency and diminishes the possibilities of fraud and corruption in public management, by reducing the number of steps and transactions and maximizing the use of new technologies. Transparency enables **accountability**, as it promotes the ethic of public service in public administration, as well as citizen participation in the formulation of public policy. All of these characteristics help to promote a better government for the people.*

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