Short Session Report

**Session Title:** Enabling Integrity through Incentives, Innovation and International Cooperation: MDBs’ perspectives on Successes and Challenges in the Global Fight Against Corruption

**Date & Time:** Saturday December 3rd, 11:30

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**Session coordinated by:** Maristella Aldana, Chief, Office of Institutional Integrity, Inter-American Development Bank

**Moderated by:** Maristella Aldana, Chief, Office of Institutional Integrity, Inter-American Development Bank

**Experts:**

Lisa Rosen, Chief Compliance Office, European Bank for Reconstruction and Development (EBRD)
Duncan Smith, Deputy Head of Division, European Investment Bank (EIB)
Clare Wee, Head, Office of Anticorruption and Integrity, Asian Development Bank (ADB)
Stephen Zimmermann, Director of Operations, Integrity Vice Presidency, The World Bank (WB)
Main issues raised in kick off remarks. What’s the focus of the session?

The integrity offices of the Multilateral Development Banks (MDBs) are charged with detecting and preventing fraud and corruption in the operations they finance, and with ensuring that funds are channelled for their intended purposes.

A lot has happened in the last 20 years in the anti-corruption arena. The MDB’s integrity offices have strengthened their position as game changers by harmonizing their frameworks for sanctioning corrupt entities, including the cross-debarment of firms, and by sharing information on cases. They also share tools and techniques with the integrity offices of other IFIs and donor agencies, in areas such as forensic audits, integrity due diligence and compliance.

The anti-corruption challenge is ever-changing, and the MDBs need to continue to adapt to new challenges. They need to prioritise actions and limited resources where they can make the most difference, while continuing to act as thought leaders and leveraging their convening power to raise the game in fighting corruption internationally.

Beyond cross-debarment, what more can MDBs do to further develop their role as game changers, and to ensure that their contributions to global anticorruption efforts are effectively aligned with pro-integrity policy developments, advocacy efforts and other integrity and transparency initiatives in the service of poverty reduction and equitable development?
What initiatives have been showcased? Briefly describe the Game Changing strategies/ ideas (if applicable)

The following initiatives were highlighted, with a selection of examples provided by MDBs:

**Commitments by Governments and International Organisations in 2016** - The UK Anti-Corruption Summit created a political space and impetus for taking action internationally. Transparency International took the important step of gathering the commitments made by participating governments and international organizations to enable the tracking of progress against those commitments. The UK summit thus served as an incubator for innovation, while creating an opportunity for changing the game at the highest (political) levels. The MDBs can play a catalytic role in supporting and giving impetus to this change.

**Scaling up information sharing globally** - The WB Group made a commitment at the UK Summit to develop a Global Information Sharing Mechanism on Administrative Remedies against Corruption (ARC). The sharing of information on administrative remedies, including the debarment of firms, will make information available as a public good to help national authorities make informed decisions in awarding contracts, and support them in adopting and using administrative remedies to expand their tool kit against corruption.

**Going beyond cross-debarment: changing mind sets and behaviours in firms.** The enforcement reach of the MDBs is relatively limited. What will it take to be able to reengage with a company that has been subject to debarment or thought to have committed a Prohibited Practice? The EBRD could engage with companies that have less than perfect integrity records by supporting their rehabilitation, through mechanisms such as the use of conditional non-debarment. This involves the design of compliance and anti-corruption programs, the use of compliance monitors, site visits, and follow-up on the implementation of integrity conditions. Most importantly, it requires a desire-- on the part of the company -- to change. The ADB, IADB Group and WB Group also have a range of prevention and knowledge sharing activities to supplement their investigations and debarment regimes.
**Showcase positive actions and players.** Naming and shaming are powerful instruments. The publication of debarment decisions supports this goal. However, putting a spotlight on positive actions is also an important catalyst for change. The ADB is showcasing positive initiatives and players, including companies that have successfully implemented compliance programs.

**Expand the use of contractual tools to support prevention, and facilitate audits and corrective action.** The EIB is expanding its use of contractual arrangements and conditionalities that allow audits and corrective measures when fraud and corruption are encountered. Contractual clauses can require, for example, the removal of corrupt staff from projects and their debarment from future participation in projects. Ex ante measures also ensure that funds are available in the event of a corruption problem to undertake forensic audits, and draft anti-corruption programs to address and mitigate risks. The EIB is also supporting the adoption by SOEs of anti-corruption and ethics programs (to encourage tone from the top, policies on gifts etc).

**Scaling up the use of proactive reviews of projects and investments.** How can MDBs assess fraud and corruption risks and take preventive measures in the absence of allegations? The EIB currently undertakes 2-3 proactive reviews of its operations/projects annually. Its investigations are otherwise driven by allegations and complaints. It is working on scaling up its use of proactive reviews - EIB's work so far has uncovered examples of serious misuse of funds in projects not otherwise the subject of an allegation of fraud or corruption. It is also considering the use of independent monitoring of procurement processes as a way to ensure higher accountability results in better value for money. The ADB, which does between 6 – 8 proactive integrity reviews a year, is also scaling up its proactive reviews- and publishes its audits on its website (adb.org).

**Business Ombudsman Initiative in Ukraine.** Led by the EBRD and the OECD, the Business Ombudsman Council (BOC) initiative is aimed at improving the investment climate in the country. It provides a mechanism for businesses to bring complaints of bribe-seeking by public officials. Early results suggest this is a promising model for replication. A majority of the 1,300 complaints received so far are in the tax sector. 550 complaints have been closed with recommendations for action.
provided to government. Of these, 75% of recommendations have been implemented—such as imposing a limit on the number of tax inspections, and streamlining and speeding up the payment of VAT refunds. To date, 193 million dollars have been recovered through the BOC.

**Cooperation with national authorities to support action on cases.**
Regional and global networks play an important role in supporting informal interactions and information sharing between enforcement authorities. The WB Group is stepping up its interaction with national authorities through the referral of its investigative findings. A decision by the Supreme Court of Canada in favour of preserving the WB’s privileges and immunities has reinforced the value of this kind of cooperation. The WB’s Integrity Vice Presidency has also taken the step of publishing a list of its referrals to national governments in its 2015 annual report. The ADB, together with the OECD, is supporting a regional “Law Enforcement Network.” This initiative supports the implementation of provisions of the UNCAC, the confidential exchange of information on cases, and cross-border cooperation. The World Bank Group’s International Corruption Hunters Alliance (ICHA) supports the same objectives at the global level.

**Briefly describe the highlights including the thematically interesting questions and ideas that were generated from the discussion or from the floor, and session quotes.**

This is the second IACC at which the MDBs have used participant voting machines to elicit simultaneous voting on key issues from the audience. The decision was made to use the technique again this year after the very positive response from participants in 2015. The tool enabled the session to take the temperature in the room on a range of issues, such as on the following (response with most support in parenthesis):

The role that IFIs should play in the fight against corruption (combination of enforcement, advocacy and game changers of international standards)
Whether corruption and deterrence are best addressed through public debarment, non-public reform initiative, both. (Both combined)

The proportion of operations that should be subject to a proactive review? (Above 10%)

Whether IFIs should engage on cases with jurisdictions with low capacity justice institutions and where there are concerns about the reliability of criminal investigations and prosecution process, breaches of human rights, etc.? (General support for the MDBs to continue to engage with law enforcement even in difficult environments).

Whether restitution and financial penalties are adequate substitutes of debarment and how should the money be used? (not a substitute, but should also be used. Multiple uses for funds)

Other highlights of the discussion included:

How to get other people to be integrity champions? The ADB uses its prevention activities, including forensic audits of projects to bring together civil society actors and supreme audit institutions. Audits have multiple purposes: to follow the money trail and detect fraudulent or corrupt activities in projects, and also to spread the message among project teams and beneficiaries, and to change mind sets and practices.

The adoption and use of civil and administrative sanctions should be supported and encouraged as these may be more likely to be effectively enforced and serve as deterrent.

The potential for the newly created Asian Infrastructure and Investment Bank (AIIB) to help raise the bar on integrity in development. The Integrity offices of the MDBs will be assisting the integrity office of the AIIB by sharing tools, policies, and practices. The AIIB has an opportunity to take the most useful practices- and collective years of lessons learned from the other MDBs- in designing its integrity framework.
What are the key recommendations, follow-up Actions (200 words narrative form)

The integrity offices of the Multilateral Development Banks MDB’s have strengthened their position as game changers by harmonizing their frameworks for sanctioning corrupt entities, including the cross-debarment of sanctioned entities, and by sharing information on cases. The anti-corruption challenge is ever-changing, and the MDBs need to continue to adapt to new challenges. They need to prioritise actions and limited resources where they can make the most difference, while continuing to act as thought leaders and leveraging their convening power to raise the game in fighting corruption internationally. The initiatives highlighted at the 2016 IACC provide a spring board for taking the agenda forward. Continued collaboration among the MDBs and with other stakeholders, including national authorities, civil society and the private sector will be essential to keep that progress meaningful and relevant.

Key Insights that could be included in the IACC Declaration

The integrity offices of the Multilateral Development Banks MDB’s have strengthened their position as game changers by harmonizing their frameworks for sanctioning corrupt entities, including the cross-debarment of sanctioned entities, and by sharing information on cases, and increasing focus on preventive activities, such as proactive reviews, integrity due diligence, and knowledge sharing. The anti-corruption
challenge is ever-changing, and the MDBs need to continue to adapt to new challenges. They need to prioritise actions and limited resources where they can make the most difference, while continuing to act as thought leaders and leveraging their convening power to raise the game in fighting corruption internationally. The initiatives highlighted at the 2016 IACC provide a spring board for taking the agenda forward. Continued collaboration among the MDBs and with other stakeholders, including national authorities, civil society and the private sector will be essential to keep that progress meaningful and relevant.

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December 3rd, 2016

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