

TC Document

I. Basic Information for TC

▪ Country/Region:	REGIONAL
▪ TC Name:	Enabling Greater Public Integrity Through Innovative Technology-Driven Solutions in Latin America and the Caribbean (LAC)
▪ TC Number:	RG-T4024
▪ Team Leader/Members:	Dassen, Nicolas (IFD/ICS) Team Leader; De Michele, Roberto (IFD/ICS) Alternate Team Leader; Aguilar Blandon, Maria Alejandra (IFD/ICS); Alvarez Bollea, Maria Cecilia (IFD/ICS); De Simone, Francesco (IFD/ICS); Kim, Seong Youn (IFD/ICS); Santa Maria, Benjamin R (IFD/ICS); Urquijo Vanegas, Lee Harvey (ITE/IPS); Vieyra, Juan Cruz (IFD/ICS); Vila Saint-Etienne, Sara (LEG/SGO)
▪ Taxonomy:	Research and Dissemination
▪ Operation Supported by the TC:	.
▪ Date of TC Abstract authorization:	22 Nov 2021.
▪ Beneficiary:	Ethic Agencies and Supreme Audit Institutions in LAC
▪ Executing Agency and contact name:	Inter-American Development Bank
▪ Donors providing funding:	Knowledge Partnership Korea Fund for Technology and Innovation(KPK)
▪ IDB Funding Requested:	US\$500,000.00
▪ Local counterpart funding, if any:	US\$0
▪ Disbursement period (which includes Execution period):	36 months
▪ Required start date:	May 2022
▪ Types of consultants:	Firms and individual consultants
▪ Prepared by Unit:	IFD/ICS-Innovation in Citizen Services Division
▪ Unit of Disbursement Responsibility:	IFD/ICS-Innovation in Citizen Services Division
▪ TC included in Country Strategy (y/n):	Yes
▪ TC included in CPD (y/n):	No
▪ Alignment to the Update to the Institutional Strategy 2020-2023:	Institutional capacity and rule of law; Productivity and innovation

II. Objectives and Justification of the TC

- 2.1 The general objective of this TC is to support technology-driven solutions to increase public transparency and integrity in Latin America and the Caribbean. The specific objectives of this TC are: (i) strengthening the institutional capacity to detect and prevent conflicts of interest; (ii) promote the modernization of public officials' financial disclosure systems; and (iii) enhance the production and exchange of knowledge and dissemination of good practices between LAC countries and the Republic of Korea in regard to the topics addressed in the objective of this TC.
- 2.2 Corruption affects public and private investment, both key drivers for inclusive service delivery and sustainable economic growth. In the field of public investment, bid rigging excludes potential competitors and alters the execution processes of public works contracts. Unnecessary regulations, excessive bureaucratic requirements, and paper-based processes also hamper private activity by creating opportunities for discretion and illicit practices, increasing the costs of doing business in some cases and driving

informality in others. The OECD (2013) estimates that between 20% and 30% of the value of the project is lost through corruption.¹

- 2.3 Evidence shows that the combination of transparency, access to information and technology is a great ally in promoting integrity and preventing corruption.² Information and Communications Technologies (ICTs) help reducing information asymmetries between public officials and citizens; limiting the discretion of public officials; automating processes; eliminating intermediaries by reducing bureaucracy and red tape (Zinnbauer, 2012); and enabling better oversight and efficiency in the use of public resources (Kahn, Baron and Vieyra, 2018). The new developments in process digitization and the use of technologies have transformed government systems to improve efficiency and effectiveness in the provision of public services. These are also becoming one of the greatest allies in promoting transparency, integrity, and citizen participation. In addition to the policy and regulatory changes made to adopt international standards, the countries of LAC are introducing reforms to digitize their processes, open up their data and develop technology tools to improve monitoring and transparency efficiency public governance (especially in public procurement, auditing, financial oversight, integrity, transparency and citizen participation). Different types of technologies are being used to this end: data mining, predictive algorithms, artificial intelligence, and georeferencing, among others. A large amount of information is also being published in open formats and visualizations for better citizen access and analysis.
- 2.4 However, the digital transformation of public administration poses new challenges in the implementation of solutions. Among these: ensuring data quality, challenges in data governance, stimulating the use of information by citizens, managing cultural change in public agencies, the new set of skills human resources will need, cybersecurity, interoperability between different databases, and the conditions of the existing infrastructure. In addition, at the subnational level and in some economic and social sectors, these challenges are even more significant.
- 2.5 The IDB supports countries in the region to improve their institutional capacity, adopt better laws, and develop regulations that eliminate opportunities for opacity and rent-seeking. These reforms are aligned with international standards of transparency and integrity and the use of digital technologies in order to guarantee greater access to information, as well as greater efficiency and effectiveness in the use of public resources. The Bank receives constant demand from public sector agencies responsible for transparency, integrity and accountability. These include, among other, ethics offices, access to public information agencies, anti-corruption offices, supreme audit institutions and financial intelligence units. We have worked in areas ranging from integrity programs (Argentina, Chile, Paraguay), open government programs (Chile, Paraguay, Uruguay), artificial intelligence and open data in public procurement agencies (Paraguay, Chile), or reforms of financial transparency to comply with Financial Action Task Force (FATF) standards (such as Panama and Jamaica). Our [Mapainversiones](#) platform and its subsequent COVID-19 module is operational in more than 12 countries and allows citizens access to information on the physical and financial execution of public works and expenses related to the health emergency.

¹ D. Kaufmann, E. Friedman, S. Johnson y P. Zoido-Lobaton, Dodging the Grabbing Hand: The Determinant of Unofficial Activity in 69 Countries, 76(3) Journal of Public Economics 459-493 (2000).

² See Information Disclosure and the Performance of Public Investment. The Case of Costa Rica, Rossi, Martín et al (IDB 2020); Digital Government and Corruption: [The Impact of Citizen Oversight and InfObras on the Efficiency of the Execution of Public Works in Peru](#), Pierri, Gastón et al (IDB, 2020); [Transparency and Digital Government, The Impact of COMPR.AR in Argentina](#), de Michele, Roberto et al (IDB, 2020).

- 2.6 Within the public integrity field, specifically regarding both financial and conflict of interests' disclosure systems of public officials, LAC countries such as Chile and Mexico made significant advances lately. Other countries, nevertheless, still need to strengthen their legislation, institutional capacities and digital systems in place to prevent conflict of interests and illicit enrichment. Among this last group, Honduras still has inadequate legislation that do not follow international standards and a paper-based declaration system of more than 70,000 public officials. These factors make the system costly and not effective in preventing conflicts of interests. Honduras has made a commitment to the International Monetary Fund (IMF) to strengthen its financial disclosure system, including the implementation of a digital filing system. The IDB through project ATN/AA-18179-RG is supporting Honduras with the digitalization of the financial disclosure system. However, other complementary activities, particularly in the area of improving the capacity to analyze digital financial disclosure, train public officials to file under the new system, among other, will be needed.
- 2.7 Paraguay is currently reviewing an amendment to their integrity legislation in Congress, while the National Anticorruption Secretary (SENAC) and the General Comptroller's Office (CGR) are analyzing changes in the current procedures and systems with the Bank's support. The CGR lacks an efficient system for receiving corruption complaints and adequate tools for the implementation of social oversight. It also faces challenges in terms of monitoring compliance with the SDGs, due to the limited institutional capacity to implement performance audits. Additionally, CGR runs a financial disclosure system that requires overhaul, especially in connecting with existing digital tools and other government data bases such as the platform [rindiendocumentas](#) that the Bank helped to implement.
- 2.8 It is worth mentioning that the IDB has developed its own assets and conflict of interests declaration platform, so called [DeclaraBID](#), using an open source software (OSS). This platform was already shared with the Honduran Supreme Audit Institution, which is undergoing an implementation process to which this TC will contribute. DeclaraBID needs additional functionalities, such as artificial intelligence to analyze data, raise alerts, interoperate with other data bases -such as ultimate beneficial owners of business or state suppliers registries-, and new visualization tools for its reporting system. Improvements to the platform DeclaraBID and other assets and declarations digital disclosure systems will be discussed at the technical level in collaboration through a network composed by public officials of different countries (e.g. Argentina, Chile, Costa Rica, Dominican Republic, Paraguay, Perú, México).
- 2.9 The Republic of Korea stands as a reference of advanced policies to harness the power of technology to improve public integrity. The Korean Public Service Ethics Program, overseen by the Ministry of Personnel Management focuses - among other things - on the prevention of conflict of interest, through the following key assessments: (i) an automated property registration system; (ii) a system to report corporate gifts to public and elected officials; and (iii) financial disclosure, including the disclosure of participation in the stock market, and establishment of qualified blind trusts. Currently, through the Public Ethics and Transparency Initiative (PETI), the government of Korea has developed a tailored ethics training for public officials and has accumulated a vast experience in the assessment of integrity risks in the public sector. Furthermore, the Republic of Korea is considered a best practice reference in incorporating innovation and transformation of service delivery leveraged on ICTs.
- 2.10 This has transformed the country into a Global Leader in digital Government as a mechanism to develop a sustainable and transparent future, through the following key

commitments: (i) providing more integrated and customized services for citizens; (ii) promoting ethical and efficient use of digital technology; and (iii) strengthening private-public partnerships³. Also, since its early stage, Korea has been a key member of the Open Government Partnership⁴ and is currently co-chairing its Steering Committee. As such, Korea is leveraging on its experience in empowering citizens to participate in shaping policies that better respond to their needs, thus standing as a model of citizen participation in policy making, increased civil society participation and a more efficient public accountability.

- 2.11 This project is consistent with the Second Update of the Institutional Strategy (UIS) 2020-2023 (AB-3190-2). In particular, it is aligned with (i) the challenge of developing productivity and innovation, through the use of digital information technologies, through actions aimed at preventing corruption, ensuring greater transparency, efficiency and effectiveness of institutions; and (ii) the cross-cutting area of institutional capacity and the rule of law, as it supports countries in the strategic and timely compliance with international standards on transparency and integrity, through the promotion of transparent administrative decisions, including public hearings and other mechanisms for transparent regulatory decision-making. Additionally, the program will contribute to the Corporate Results Framework 2020-2023 (document GN-2727-12), through the indicator referring to institutions with enhanced transparency and integrity practices. The operation also responds to the lines of action identified in the Sector Framework of Transparency and Integrity (GN-2981-2), which highlights the importance of aligning legislations, institutional capacity and digital systems to international standards to promote good governance, an effective public service delivery and a good business climate. Particularly, it is aligned with the lines of action for public sector integrity, since it is aimed at fostering the policy dialogue and knowledge generation on ethical standards in the public sector, while also promoting conflict of interest policies, asset declaration systems, reporting systems and whistleblower protection systems. The TC is also aligned with the Knowledge Partnership Korea Fund for Technology and Innovation (KPK), that promotes the development of science and technology capacity and innovation with emphasis on information technology and related e-applications in governments (GN-2374-2). There is also an alignment with the Country Strategy with Honduras 2019-2022 (GN-2944), particularly with the pillar regarding the strengthening of fiscal institutions and expenditure efficiency, and the cross-cutting issue of innovation and use of new technologies to achieve greater relevance and efficiency in interventions. The project is also aligned with the IDB Group Country Strategy with Paraguay 2019-2023 (GN-2958), through the strategic objective of strengthening public management capacities. Finally, it is aligned with the IDB's Vision 2025 Reinvest in the Americas, specifically regarding the importance of developing good governance and adequate institutions to achieve sustainable and inclusive economic growth (AB-3266).

III. Description of activities/components and budget

- 3.1 **Component 1 – Improved public sector integrity systems (US\$300,000).** The objectives of this component are: (i) strengthening the institutional capacity to detect and prevent conflicts of interest; (ii) assessing the opportunity for upscaling/modernizing the public officials' financial disclosure systems; and (iii) promoting policy and institutional reforms to adopt international standards on the

³ Ministry of the Interior and Safety of the Republic of Korea.

⁴ <https://www.opengovpartnership.org/members/south-korea/>.

topics of transparency and integrity. The component encompasses the following activities:

- a. Case study and benchmarking (US\$200,000). This activity will research on Korea's ethics system (PETI) developed by the Ministry of Personnel Management (MPM), which focuses on: (i) lessons learned on the development of automated digital system to manage the registration and filling of financial disclosures; (ii) experience in the governance and administration of the information flow across control and oversight bodies at the national and local level; and (iii) expertise in training public officials to promote public ethics. This study will serve as a basis for developing Human Resources Management (HRM) strategies to modernize the participating country's HRM policy and system.
- b. Policy and technical recommendations (US\$40,000). This activity will provide policy recommendations to improve the public sector integrity based on the findings of the research, and design innovative data analysis tool and alert systems in digital platforms implemented to disclose and control conflict of interests and illicit enrichment of public officials. The technical recommendation will be based on the specific needs identified by the IDB on its applicability and scalability to the regional context. Depending on the level of capacities and technological development, the projects will contribute to diagnose issues in the modernization of audit and control systems, test feasible solutions, and make policy recommendations to improve them.
- c. Research on transparency and integrity international standards (US\$60,000). This activity will research on digital financial disclosure systems of at least five LAC countries based on the findings of the case study, which will focus on (i) an assessment report reviewing the content of assets and conflict of interest disclosure forms and digital systems of at least five LAC countries⁵ with recommendations of legal and regulatory alternatives for short-term and long-term reforms; and (ii) a report proposing standardized and model declaration forms to disclose financial assets and conflict of interests according to international standards, elaborated through a consultation process with experts of different fields and legal traditions.⁶

- 3.2 **Component 2: Exchange of knowledge and dissemination (US\$200,000)**. This component will promote the production and exchange of knowledge and dissemination of good practices between LAC countries and the Republic of Korea in regard to the topics addressed in the objective of this TC. Particularly, this component will support the following activities: (i) the organization of a series of webinars with public officials in charge of overseeing the implementation of Ethics Legislation in at least five LAC countries; (ii) one international conference to discuss topics on digital tools applied to integrity and transparency policies; and (iii) one evidence-based study on the process and implementation of assets and conflict of interests' declarations systems or other related topics, such as the correlation of ICT-based solutions and public trust, or the effect of anticorruption policies through digital government.

⁵ Selection Criteria: For the overall selection of beneficiary countries and the activities to finance, the following criteria will be considered: (i) having distribution within the LAC subregions; (ii) having a high-quality proposal and technical capacity to implement and deliver results; (iii) relevance in terms of the Bank's operative priorities and dialogue with other countries; (vi) sustainability of the generated solution; and (vii) feasible impact evaluation.

⁶ Supreme Audit Institutions, Ethics Offices, judicial and public prosecutor's offices, accountants, financial advisors, data scientists, etc.)

- 3.3 The purpose of the events is to discuss best approaches to public sector integrity and the lessons drawn from the Korean achievements. These regional events will encourage a peer-to-peer exchange to connect LAC public officials, Korean policymakers and experts to learn from the Korean experience and adapt it to the regional context⁷. The first event will be tentatively held in presence in LAC at the beginning of 2022 and will serve to assess the evolution of the countries in working with the Bank and discuss the best policy options for the improvement institutional capacity in control and audits. The second event will be held in 2024 (in person) with the aim of identifying the developments since the first meeting under the mentioned working areas. By participating in these activities, eligible LAC countries will benefit from technical exchanges with the Korean Public Ethics and Transparency Initiative (PETI) and develop capacities to improve their own functions and abilities.
- 3.4 The evidence-based study is aimed at identifying integrity practices and evaluate the results of integrity reforms in this area⁸. The study⁹ will assess the benefit of modernizing financial management and financial disclosure systems from a perspective of increased transparency and accountability. Experimental evidence on the causal impact of technology-based solutions will be studied in order to understand what solution are more suitable for selected LAC countries. Lessons learned will be gathered from similar reforms implemented in Korea. Causal impact assessment will not be limited to information disclosure platforms but could also extend to the use of technology in auditing and controlling, thus involving Supreme Audit Institutions.
- 3.5 **Intellectual property rights.** All knowledge products derived from this Technical Cooperation will be the Bank's intellectual property.
- 3.6 **Budget.** The total funding required for the program amounts to US\$500,000 and will be provided by the Knowledge Partnership Korea Fund for Technology and Innovation (KPK). The disbursement period for this technical cooperation is 36 months and the budget is presented in the following table:

Indicative Budget (US\$)

Activity/Component	Total Funding (IDB)
Component 1: Improved public sector integrity systems	300,000.00
Case study and Benchmarking	200,000.00
Policy and technical recommendations	40,000.00
Research on transparency and integrity international standards	60,000.00
Component 2: Exchange of knowledge and dissemination	200,000.00
Webinar series	50,000.00
Regional event	90,000.00
Evidence-based study to identify integrity practices in public service delivery	60,000.00
Total	500,000.00

⁷ The IDB will consult with respective country offices and government agencies to confirm public officials that will participate in these events.

⁸ The evidence-based study will focus on the Executive Branch of the selected LAC countries.

⁹ A good example of a similar study is about Mapainversiones. In this [study](#), through experimental evidence, the causal impact of disclosing information related to public investment projects on the performance of these projects in Costa Rica was confirmed. Three months after the release of MapalInversiones, financial progress of public investment projects uploaded onto the platform increased by 18 percentage points, and physical progress increased by 8 percentage points compared to unpublished projects.

IV. Executing agency and execution structure

- 4.1 The TC will be executed by the Inter-American Development Bank (IDB). The general coordination and technical supervision of the operation will be in charge of the Innovation in Citizen Service's Division of the Institutions for Development's Department (IFD/ICS) of the Bank, since is the Bank's own initiative that was developed due to its expertise in the sector.
- 4.2 The focal point for the regional execution of this TC from Headquarters will be the Lead Specialist in Modernization State, who will supervise the TC components in coordination with the respective Country Office and IFD/ICS Specialists in the participating countries. Specifically, the Transparency and Integrity Cluster in ICS will be responsible for the execution of this TC since it has: (i) a proven track record in providing technical assistance in these areas, supported by extensive technical and operational expertise in the execution of projects of this kind in the region (particularly ATN/OC-15822-RG "Big Data use for government efficiency and regional integration"; ATN/AA-16286-RG "Open Government and Public Innovation Labs"; ATN/AA-16905-RG "Promoting Open Government, Innovation and Open Data in Latin American & the Caribbean countries (LAC);" ATN/OC-16474-RG "Open Parliaments: Innovating towards Integral, Transparent and Participative Legislative Powers", among others); and (ii) experience in selecting international experts in this field to successfully implement the envisaged activities.
- 4.3 The activities to be financed under this operation have been included in the Procurement Plan (Annex III) and will be executed in accordance with the Bank's established procurement methods, namely: (a) Contracting of individual consultants, as established in the regulations AM-650; (b) Hiring of consulting firms for services of an intellectual nature according to GN-2765-4 and its associated operational guidelines (OP-1155-4) and (c) Hiring of logistics services and other services other than consulting, according to the policy GN-2303-28. The team project will present progress in the delivery of planned outputs through the annual and final TC monitoring reports.
- 4.4 The TC will contract four consulting firms via single source selection according to Policy GN-2765-4, because only these firms have the experience of exceptional worth for this assignment, and they present a clear advantage over competition.
- 4.5 For consultancy (1a) "Research on Korea's public ethics system", Korea IT Consulting (KITC) is best suited since it possesses the essential sector knowledge needed to develop a representative benchmarking case on anti-corruption and public service ethics in the Korean government as well as proven track records of e-government consultancy in the LAC region. KITC has conducted e-government consulting and knowledge sharing with a multitude of partner countries including Colombia, Honduras, and Peru. In the case of anti-corruption consultancy, KITC, together with the National Information Society Agency (NIA) and the Anti-Corruption and Civil Rights Commission of Korea, conducted a feasibility study on introducing the "Clean Portal" for the Colombian government in 2020. Also, it has been cooperating with the IDB through the joint consulting project on cloud computing (KSP, 2020) and the technical cooperation project on the Integrated HRM system (ATN/KR-18944-RG, 2022). Accordingly, it will provide institutional and technical guidance tailored to the LAC context, and help them move in a strategic direction, which will be a value no other firm can offer.

- 4.6 For consultancy (1a) “Evidence-based Study on the Benefit of Korea's Public Official Property E-filing System”, Graduate School of Public Administration (GSPA) of Seoul National University (SNU) was identified as having a unique competitiveness with its database on public officials' integrity, advisory activities to the Korean governments, and quantitative analysis capabilities. It has constructed a comprehensive anti-corruption database since 2006 including the public official's property data, which will provide the effectiveness powered by essential information. Its faculty has participated in anti-corruption advisory boards of Korea and has established network with the key ministries of anti-corruption policy, which will ensure the accessibility of high-quality information. It is a leading academic institute employing advanced research techniques such as machine learning, which will be useful to offer implications on how the e-filing system is transformed into usable knowledge.
- 4.7 **Sustainability and Results:** This TC includes a Results Matrix that will reflect the fulfillment of the committed products. The expected result is to increase the efficiency in the control of illicit enrichment and conflicts of interest of public officials in beneficiary countries. The sustainability of the project's products will be safeguarded based on the fact that it is the fulfillment of international commitments to which the beneficiary countries have adhered, and the counterparts are technical-level institutions that respond to public policies of transversal integrity and transparency in the respective public administrations.

V. Major issues

- 5.1 The team does not identify any substantial risk associated with the implementation of this TC. However, there may be the possibility that, due to a pandemic, face-to-face activities must be carried out virtually, which could lead to under-execution of the assigned budget. In such a case, the team will identify new activities and products to meet the objective of the TC. Likewise, following the experience of 2020 and 2021, the team will periodically monitor the execution and will attend to the requests for extension of the execution period if necessary. It is also possible that the national counterparts do not have the technical capacity to implement the digital solutions and the proposed policies that are included in this TC. To this end, the Bank will accompany the teams with specialized profiles that allow the terms of reference and specific products to be achieved to be defined with the counterparts and thus achieve sustainable results.

VI. Exceptions to Bank policy

- 6.1 No exceptions to Bank Policies apply.

VII. Environmental and Social Strategy

- 7.1 This TC will not finance feasibility or pre-feasibility studies of investment projects or associated environmental and social studies; therefore, it does not have applicable requirements of the Bank's Environmental and Social Policy Framework (MPAS).

Required Annexes:

[Results Matrix - RG-T4024](#)

[Terms of Reference - RG-T4024](#)

[Procurement Plan - RG-T4024](#)