



INTER-AMERICAN DEVELOPMENT BANK  
WASHINGTON, D.C. 20577

PRESIDENT

September 07, 2010

The Honorable Richard Lugar  
Committee on Foreign Relations  
United States Senate  
Washington, DC 20510

Dear Senator Lugar:

Thank you for your letter of August 3, in which you inquire about the efforts of the Inter-American Development Bank to fight corruption associated with the Bank's activities. I greatly appreciate your interest in this area of our work, as the Bank is committed to achieving measurable results with integrity, transparency, and accountability.

The Bank developed a major overhaul of its anti-corruption framework to ensure that allegations of fraud or corruption in Bank-financed activities are investigated and, where appropriate, culpable parties are sanctioned swiftly. The Bank also is strengthening the support it provides to countries to fight corruption. These measures, which build on an overhaul of the anti-corruption framework put in place in 2001, have been endorsed by the Bank's Board of Executive Directors. (More details can be found at [www.iadb.org/integrity](http://www.iadb.org/integrity).) As integrity measures have become known to Bank staff, executing agencies, and the public, the number of allegations received and investigations conducted by the Office of Institutional Integrity has increased. The data presented herein reflect the product of these efforts and respond to the questions raised in your letter.

1. For each of the past five years, how many individuals and firms were debarred or, in the case of employees and others, otherwise sanctioned for fraudulent conduct; the number of cases of corruption that were referred to local authorities for prosecution, either in the United States or another country of jurisdiction; whether the prosecuting authorities pursued the case or declined to prosecute; in the case of the latter, what reasons, if any, were given for declining prosecution; and for those cases that were prosecuted, the outcome of those cases.

*a. Number of Individuals and Firms Sanctioned in the Past Five Years*

This chart reflects the results of external investigations involving external parties (consultants and firms) who were found to have violated the Bank's fraud and corruption norms and regulations.

	2005	2006	2007	2008	2009	2010 (July)	Total
<b>Sanctioned Individuals</b>	11	23	20	25	36	17	132
<b>Sanctioned Firms</b>	5	13	8	8	16	7	57

The Office of Institutional Integrity publishes a list of sanctioned firms and individuals on its website (<http://www.iadb.org/topics/transparency/IAD/sanctionedfirms.cfm?lang=en>).

*b. Number of Bank Employees Sanctioned in the Past Five Years*

The following chart reflects the results of internal investigations, which involve Bank staff members as well as consultants working directly for the Bank.

<b>Disciplinary Action</b>	<b>2006*</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010 (July)</b>	<b>Total</b>
Barred from rehire	0	2	1	0	0	3
Loss of merit pay	0	1	0	0	0	1
Reprimand	0	1	0	0	0	1
Resignation in lieu of termination	0	0	2	0	0	2
Termination	3	4	2	2	0	11
<b>Total</b>						<b>18</b>

*\*Please note that the Ethics Office, currently responsible for handling internal cases and maintaining relevant data was established in 2007.*

*c. Number of Cases Referred to Local Authorities*

The chart below shows the referrals made to local authorities over the last five years. As of yet, complete data regarding the outcome of these referrals are unavailable.

<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010 (July)</b>	<b>Total</b>
13	5	2	2	2	1*	25

*\*8 cases are pending approval. As explained below, referrals must be approved by the Oversight Committee on Fraud and Corruption, after which time they must be approved by the President's office.*

2. Does the IDB have a formal policy regarding prosecution in cases of corruption? What factors go into the Bank's decision to refer a case for Prosecution? Are there any restrictions or limitations on bank personnel cooperating with prosecuting authorities?

Section 12.2 of the Bank's Sanctions Procedures states the following:

Referral to Government Authorities. If the [Oversight Committee on Fraud and Corruption] believes that laws of any country may have been violated by a Respondent, the OCFC may at any time recommend to the President of the Bank that the matter be referred to appropriate governmental authorities. When a matter has been so referred, the OCFC may make or direct the OII to make available to the law enforcement or administrative authorities of the countries involved such information relating to the suspected violation as the OCFC shall deem appropriate. Such a referral shall be without prejudice to any action available to the Bank under these Procedures.

The Bank's policy, therefore, is to refer the findings of our external investigations to local authorities when those findings indicate a possible violation of national laws.

The Bank has in place a similar policy with respect to cases involving misconduct by its staff members. The Bank's Code of Ethics and Professional Conduct §III (a) (3) states the following:

"The Bank will cooperate with the authorities of member countries to facilitate the proper administration of justice, and to prevent abuse of the privileges and immunities granted to the Bank and its employees."

When considering this policy, it should be noted that the Bank was established pursuant to the Agreement Establishing the Inter-American Development Bank (the Agreement), an international treaty signed by the 48 shareholder governments, including the United States of America. Article XI of the Agreement, "Status, Immunities and Privileges," states that all governors, executive directors, alternates, officers, and employees of the Bank shall have certain specific immunities, including "...[I]mmunity from legal process with respect to acts performed by them in their official capacity, except when the Bank waives this immunity." Nevertheless, in cases of allegations of corruption or illegal behavior by Bank employees, the Bank makes every effort to cooperate with local authorities.

In executing these policies, the Bank is committed to safeguarding the confidentiality of its investigations, particularly if it is determined that disclosing certain information may jeopardize the safety of any whistleblowers or witnesses involved in the investigation.

I would be pleased to discuss the Bank's anti-corruption efforts with you at your convenience. Thank you again for your interest in our integrity efforts and for your support of the work of the Bank.

Sincerely,

A handwritten signature in black ink, consisting of a large, stylized initial 'L' followed by a smaller, more fluid signature.

Luis Alberto Moreno

cc: Gustavo Arnavat, U.S. Executive Director