

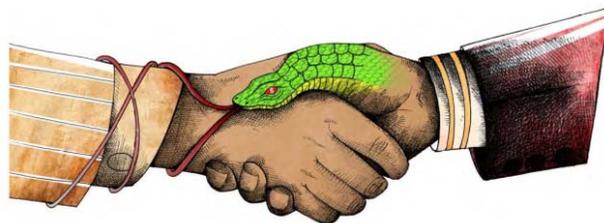
Corruption & Collusion: Two Sides of the Same Coin Against Productivity

IDB Secretariat Presentation

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Collusion & Corruption: Two sides of the same coin



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Today's Agenda

- Introduction: Collusion & Corruption
- IDB views: OII's Experience
- Opportunities for Cooperation
- Conclusion



Introduction

- **Anticorruption + Competition Policies:**
 - Complementary mechanisms to correct market dysfunctions
 - Anti-cartel and anticorruption efforts enhance productivity levels
 - Example: South Korea
 - From high corruption and *chaebols* to becoming the Miracle on the Hans River
 - Thanks to a portfolio of policy tools such as:
 - adoption anticorruption measures
 - reformulation of competition system



Introduction

- **Cooperation brings about synergies:**
 - Bid-rigging usually entails two components:
 - Horizontal collusion (cartel agreement)
 - Vertical collusion (bribe)
 - Combination to achieve better policy outcomes:
 - Dismantling whole scheme (two-pronged approach)
 - Corrective measures proportionate to collusion and corruption
 - Deterrent effect as it proves the ineffectiveness to wrongdoers



IDB's Experience

- **Office of Institutional Integrity:**
 - Ensures that the IDB-financed activities are free of fraud and corruption and executed with proper safeguards
 - Investigates collusive schemes and corruption to request sanctions (debarment) before the IDB's Sanction Officer
 - Engages in preventive activities to manage and mitigate integrity risks in IDB financed projects



IDB's Experience

- **Experience in fighting Collusion and Corruption concurrently**

- Lessons Learned:

- Tremendous value in tackling corruption and bid rigging together
 - Exchange of information
 - Sharing expertise
 - Remain vigilant to Hub and Spoke Agreements (A-B-C)
 - Bidding companies interact indirectly through an agent
 - Recurring pattern in development projects in the LAC region



Cooperation Opportunities

- **Strata:**

- Levels at which cooperation could exist

- **Substance:**

- Areas/issues on which cooperation could focus

- **Tools:**

- Instruments through which cooperation could materialize



Cooperation Opportunities

- **Strata:**
 - **National & Subnational Cooperation**
 - Colombia a leading example in the LAC Region
 - **International/Interregional Cooperation**
 - Regional Competition Center (CRC)
 - **Supranational Cooperation**
 - MDBs-National authorities
 - Transpacific Partnership Agreement



Cooperation Opportunities

- **Substance**
 - **Preventive Cooperation**
 - Advocacy
 - Trainings
 - Outreach
 - **Enforcement Cooperation**
 - Joint & Parallel Investigations
 - Exchange of Information



Cooperation Opportunities

- **Tools:**
 - **Formal Agreements**
 - MOUs, Interinstitutional Agreements
 - **Ad-hoc Agreements**
 - To Cooperate on specific matters
 - **Regional Dialogues**
 - Latin American Competition Network



Conclusion

- **Competition + Anticorruption =**
 - Correct market dysfunctions
 - Contributes to productivity (efficient use of limited resources, level playing field, etc)
- **Enhancing further cooperation:**
 - Substantial work ahead
 - OECD/IDB forums hope to contribute to make this cooperation a reality



THANK YOU!

