



Code of Conduct and Operating Guidelines for the Conduct Committee of the Inter-American Development Bank

September 8, 2014



Overview of Presentation

- The Inter-American Development Bank & Inter-American Development Bank Group
- Significant Issues in Developing the Code of Conduct
 - The nature and status of the Board of Executive Directors
 - The Conduct Committee and its Membership
 - The Secretary of the Conduct Committee
 - Oversight of the Disclosure Program
 - Guidance on Ethical Issues
 - Addressing Allegations of Misconduct
 - Excerpts from of the Code of Conduct
 - Exercise to Amend the Code of Conduct



The Inter-American Development Bank

- “The purpose of the Bank shall be to contribute to the acceleration of the process of economic and social development of the regional developing member countries, individually and collectively.” – *Agreement Establishing the Inter-American Development Bank*
- 48 Member Countries
- 48 Governors on the Board of Governors
- 14 Executive Directors on the Board of Executive Directors
- 14 Alternate Executive Directors



The Inter-American Development Bank Group

- Inter-American Development Bank (IDB) and Inter-American Investment Corporation (IIC):
 - Public International Organizations
- The Multilateral Investment Fund (MIF):
 - A fund under the Administration of the IDB



Establishing the IDB System

- Considerations in adopting the Code of Conduct for Executive Directors.
- The Status of Executive Directors.
- IDB Code of Conduct for Executive Directors first adopted in 2003.

The Conduct Committee and its Membership

- The IDB, the IIC and the MIF, nominate two members – for a total number of 6 members.
- 3 members are male and 3 are female.
- 3 members are from borrowing countries.
- 3 from non-borrowing countries.
- There is a preference for titular Executive Directors.
- Alternates Executive Directors are also eligible for membership if a sufficient number of titular Executive Directors meeting the other eligibility criteria are not available to provide for full Committee membership.
- No member should serve for more than one, one-year term, unless a sufficient number of Directors meeting the other eligibility criteria are not available.



The Secretary of the Conduct Committee

- The IDB General Counsel serves as Secretary to the Conduct Committee and Legal Advisor for matters concerning the IDB and MIF
- The IIC General Counsel serves as Legal Advisor for Matters concerning the IIC

The Functions of the Conduct Committee

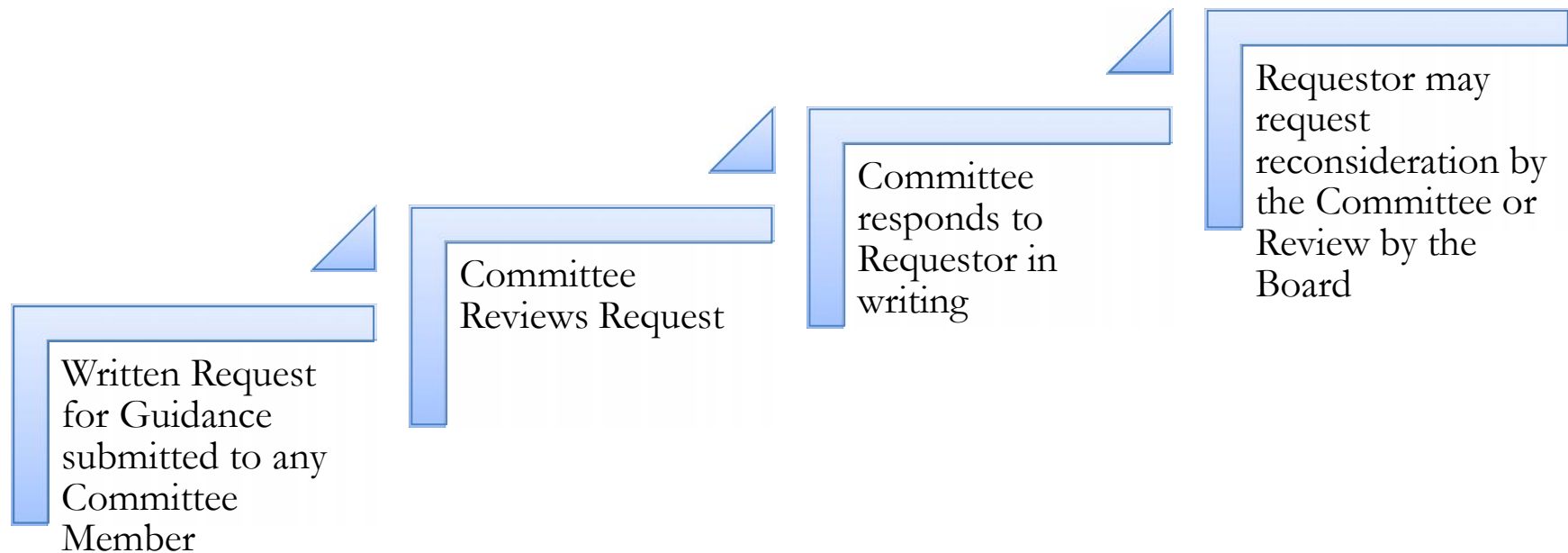
- Oversight of the Disclosure Program
- Guidance on Ethical Issues
- Addressing Allegations of Misconduct

The Conduct Committee: Oversight of the Disclosure Program

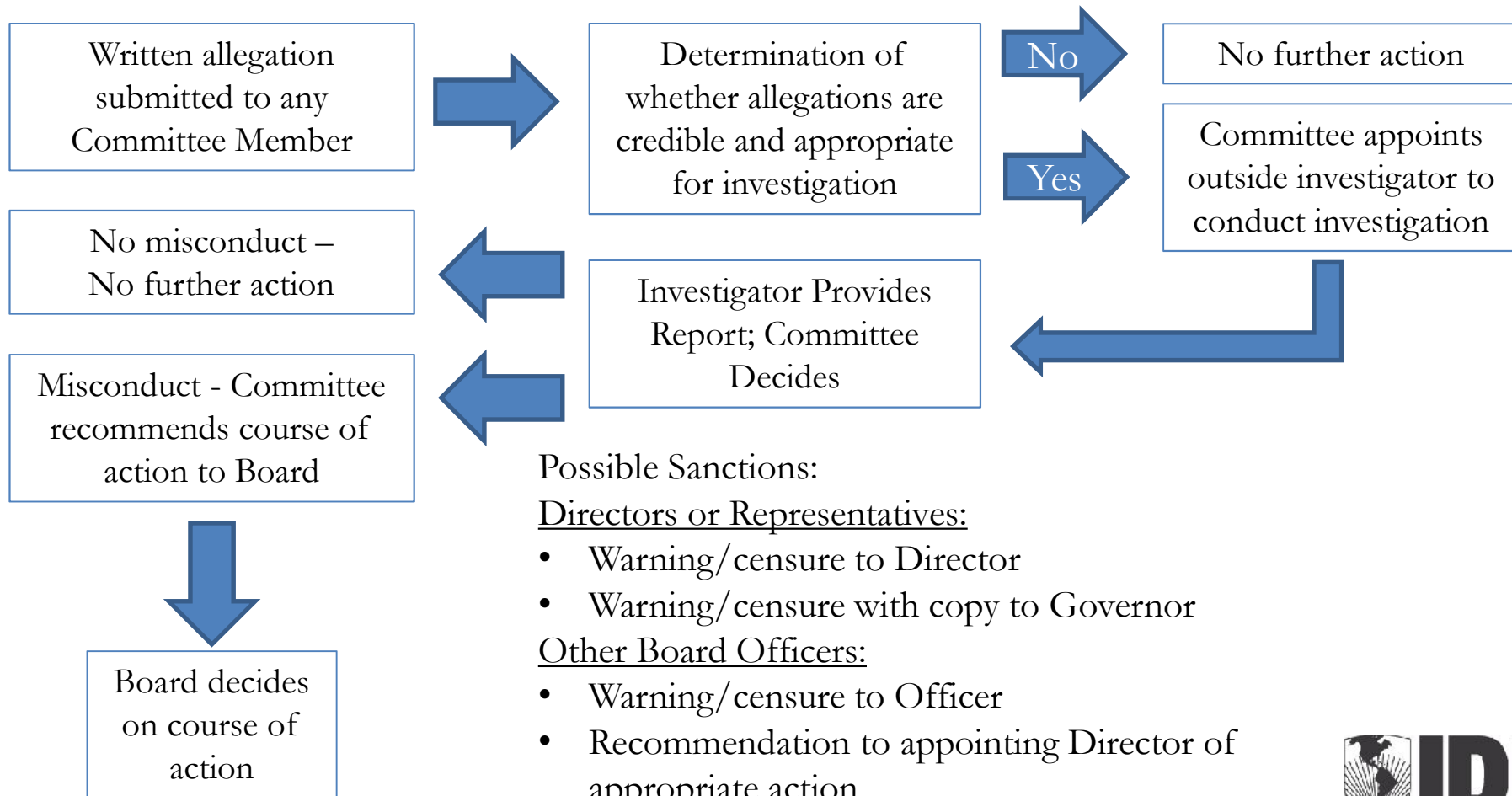
- Disclosures Concerning:
 - Marketable Securities, Assets and Bank Accounts
 - Assets with a value over US\$10,000
 - Real Estate
 - Real estate with market value of US\$25,000 or over
 - Proprietary Interests in Businesses
 - Interests over US\$10,000
 - Other Sources of Income
 - Positions Held Outside the IDB Group
 - Liabilities
 - Excludes education, auto or consumer loans; credit card debt; any liability under US\$50,000.
 - Significant Transactions
 - Refers to the purchase or sale of real estate, stocks, bonds, mutual funds.



The Conduct Committee: Guidance on Ethic Issues



The Conduct Committee: Addressing Allegations of Misconduct



The Code of Conduct:

Basic Principles

- “Executive Directors shall at all times observe the highest standards of personal and professional ethical conduct. They shall carry out their mandates, as specified in the Bank Charter, the Corporation Charter or the Fund Charter, as the case may be, to the best of their ability and judgment. They shall at all times maintain the highest standards of integrity.”
- “Executive Directors are entrusted with the conduct of the operations of their respective Institution and shall exercise their fiduciary responsibility with objectivity and impartiality. At the same time, Executive Directors are the representatives to their respective Institution of the country or countries that have appointed or elected them.”

The Code of Conduct:

Basic Principles

- “Executive Directors shall avoid any situation that involves a conflict or that gives the appearance of a conflict, between their performance of their official duties and their personal interests. If an Executive Director or an immediate family member has any conflict or apparent conflict of interest in connection with any matter that is under consideration by the respective Institution, the Executive Director shall so advise the Secretary of the Bank or the Secretary of the Corporation, as the case may be, and if the matter is submitted for the consideration of the Board of the respective Institution, the Executive Director may not participate in its consideration.”
- “Executive Directors shall ensure that property and services of their respective Institution are used by themselves and persons in their offices for official duties only.”
- “In their conduct outside of their respective Institution, Executive Directors shall observe at all times the local laws of the country in which they are performing their official duties.”



The Code of Conduct:

Duty & Loyalty to the Institution

- “Executive Directors explicitly acknowledge and recognize their fiduciary responsibilities to the Institution that they serve and that they shall dedicate to said Institution all of the time and attention that its business may require.”

The Code of Conduct: Involvement in Internal Political Affairs of Member Countries

- “Executive Directors note the provisions of Article VIII, Section 5(f) of the Bank Charter and Article III, Section 8 of the Corporation Charter to the effect that the Bank and the Corporation and their officers and employees shall not interfere in the political affairs of any member nor shall they be influenced in their decisions by the political character of the member or members concerned. Further, only economic considerations shall be relevant to their decisions, and these considerations shall be weighed impartially in order to achieve the purpose and functions of the respective Institution stated in Article I of the Bank Charter and Article I of the Corporation Charter.”



The Code of Conduct: Conflicts of Interests

- “Generally, Executive Directors are free to conduct their personal affairs as they see fit. Nevertheless, Executive Directors shall conduct their personal affairs in a manner that will avoid real or apparent conflicts of interests between their personal interests and the interests of the Institutions, and that will not compromise the independence of their actions and judgment as required in the performance of their duties for the Institutions. Such a conflict of interest could arise from the Executive Director's investment in Bank or Corporation securities, and investments in entities engaged in activities financed by the Institutions, as specifically described below. Conflicts of interest may arise from additional activities, and Executive Directors should observe the principles described in the Code in the conduct of all of their affairs.”

The Code of Conduct: Investments in Securities

- “Executive Directors may not knowingly acquire securities issued by the Bank or the Corporation. Such prohibited investments include transactions through (i) any derivative or securitization product including or composed of such securities or (ii) trading in the right or obligation to buy or sell such securities. The same restrictions shall apply to the financial activities of members of the immediate family of an Executive Director. Immediate family members are the spouse, children, parents, parents-in-law and siblings of an Executive Director.”



The Code of Conduct:

Interest in Entities Engaged in Institution-Financed Activities

- “Executive Directors may not knowingly acquire, directly or indirectly, any financial interest in (1) a loan made by the Institutions; or (2) any entity engaged in a financial transaction or in any other financial, supplier, beneficiary or other relationship with an Institution, from the time the transaction or relationship is first considered until the time the transaction or relationship is terminated. Such prohibited interests do not include the purchase or holding of a de minimis interest in a publicly-held entity, or other interest that could not be reasonably seen as compromising the independence of an Executive Director's decision-making in the performance of official duties. The same restrictions shall apply to the financial activities of members of the immediate family of an Executive Director.”



The Code of Conduct:

Personal Interest

- “If an Executive Director or an immediate family member has any personal interests, including a financial interest, position of employment or other affiliation, in any matter that is under consideration by the respective Institution, the Executive Director shall so advise the Secretary of the Bank or the Secretary of the Corporation, as the case may be, as soon as possible upon becoming aware of the matter and may not participate in the consideration of the matter by the Board of Executive Directors of the respective Institution.”



The Code of Conduct:

Confidentiality of Information

- “Executive Directors explicitly acknowledge that in their official functions they shall have access to information that is confidential in nature and that at all times they shall respect the confidentiality of such information and shall not use such information for the purpose of furthering their personal interest or the personal interest of any other person or entity. Executive Directors may provide confidential information that they receive in the course of their official functions to the Governments of the countries in their respective constituencies.”
- “Executive Directors shall consult the Conduct Committee if they are considering sharing information within their Institution or with outside parties if they have doubts as to whether they are authorized to do so. If an Executive Director believes that confidential information may have been improperly disclosed, the Executive Director shall advise the Conduct Committee.”
- “Upon leaving the Institution, Executive Directors shall not disclose or use confidential information obtained by them in the course of their employment which is not available to the public generally.”



The Code of Conduct: Public Statements

- “Executive Directors shall take into account that because of their respective positions, they may reasonably be perceived by others as representing the views of their Institutions and that their public statements may affect the operations and reputation of their Institutions. Executive Directors may speak on behalf of their respective Institution only when authorized by their respective Board to do so. When issuing public statements relating to their respective Institution, Executive Directors shall make clear whether they are speaking as duly authorized representatives of their Board or in a personal capacity. In issuing such statements, they shall observe the provisions of this Code on Confidentiality of Information and the provisions of the respective Institution’s disclosure of information policy.”



The Code of Conduct: Gifts

- “Executive Directors shall use their best judgment with regard to the acceptance of any gifts from persons dealing with the Institutions or dealing with the Executive Directors in their official capacities, so as to avoid any improper influence, or the appearance of improper influence, on the performance of their functions as Executive Directors. The ordinary courtesies of international business and diplomacy may be accepted, but gifts shall not be accepted unless they are of an insignificant value, as determined by the Boards from time to time. Any gift that is accepted on the basis of the Executive Director's judgment that refusal to accept would offend or embarrass the gift-giver or the respective Institution shall be promptly reported to the Conduct Committee for, where appropriate, charitable donation, display on the premises, or independent appraisal on the basis of which the Executive Director may be allowed to purchase the gift as may be determined by the Conduct Committee. An Executive Director shall also not give gifts of significant value to parties dealing with the Institutions. For the purposes of this provision, gifts include hospitality, favors, gratuities, entertainment, loans, services, honors or awards in connection with official duties. For the purposes of this provision, a gift of significant value is a gift with a value over US\$100; individual gifts of an insignificant value, from the same party or related parties, may cumulatively be considered significant.”



The Code of Conduct:

Relationship with Management & Staff

- “The Executive Directors explicitly acknowledge that, as specified in the respective Institution’s Charter, the President, the Executive Vice President, and the Vice Presidents of the Bank; the General Manager of the Corporation; the Manager and Deputy Manager of the Fund; and the officers and staff of the Bank and the Corporation, in the discharge of their offices, owe their duty entirely to the Bank, the Corporation or the Fund as the case may be, and shall recognize no other authority. The Executive Directors shall respect the international character of this duty.”
- “Executive Directors are committed to a work environment in which all individuals are treated with respect and dignity, and that prohibits discriminatory or harassing behavior and shall not engage in any conduct inconsistent with this principle. Executive Directors shall treat the Management and staff of each Institution, and other persons providing services to the Institution, with courtesy and respect. Executive Directors shall recognize and respect the professional independence and judgment of Management and staff and their responsibilities to carry on the day-to-day activities of their respective Institution, in accordance with the policies approved by the Boards.”

The Code of Conduct:

Relationship with Management & Staff

- “Discrimination as prohibited by this Code is the inequitable treatment of individuals who are similarly situated on the basis of nationality, race, gender, religion, age, sexual orientation, physical condition, social status or political orientation.”
- “Harassment includes any verbal or physical conduct that denigrates or shows hostility or aversion toward an individual (or his or her relatives, friends, or associates) because of any personal characteristic, and that: (i) has the purpose or effect of creating an intimidating, hostile or offensive work environment; (ii) has the purpose or effect of unreasonably interfering with an individual's work performance; or (iii) otherwise adversely affects an individual's employment opportunities. Sexual harassment includes unwelcome sexual advances, requests for sexual favors and other verbal or physical conduct of a sexual nature when, for example: (i) submission to such conduct is made either explicitly or implicitly a term or condition of an individual's employment; (ii) submission to or rejection of such conduct by an individual is used as the basis for employment decisions affecting the individual; (iii) such conduct has the purpose or effect of interfering with an individual's work performance or creating an intimidating, hostile or offensive working environment; or (iv) such conduct otherwise adversely affects an individual's opportunities for career development.”



The Code of Conduct: Subsequent Employment

- “Executive Directors shall not allow any discussion for their employment subsequent to the completion of their official duties at the respective Institution, or the employment of their immediate family members at any time, to affect them in the performance of their official functions. Executive Directors shall recuse themselves from any matters where their participation could be, or could reasonably be perceived as, benefiting a prospective employer.”
- “After leaving his or her Institution, the Executive Director shall not communicate or attend any business-related meetings with any employee of his or her former Institution or with Executive Directors for one year following separation from the Institution, if the Executive Director's communications or meetings are made for and on behalf of any subsequent employer. This prohibition does not apply (1) if the Executive Director has accepted employment with and acts in representation of another multilateral institution, a political or administrative subdivision, the government, or any department, agency or governmental body of the member country that elected or appointed the Executive Director, or of a member country that assigned its votes to that Executive Director, or (2) if the Conduct Committee, after reviewing the merits of a specific situation, authorizes such communications or meetings.”



The Code of Conduct: Involvement in Procurement and Human Resources

- “Executive Directors shall not attempt to exert any undue influence on either Management or staff with respect to the awarding of contracts for the procurement of goods or services. Executive Directors shall not attempt to exert any undue influence on either Management or staff with respect to the appointment, compensation and termination of employees of the Institutions. Undue influence on the part of an Executive Director refers to the use of his or her position or authority to direct or cause staff of the Institutions to act inconsistently with the applicable policies of the corresponding Institution.”
- “Executive Directors shall not attempt to exert any undue influence on either Management or staff with respect to the investigation and resolution of any dispute or allegations dealt with in accordance with the applicable policies and procedures of the respective Institution, including matters that may arise from a procurement or human resources matter involving the Bank, the Corporation or the Fund, and persons or entities from the member countries which the Executive Directors represent on the Board.”



The Code of Conduct: Conduct Committee

- “There is established one Conduct Committee for the Boards, consisting of six titular Executive Directors that shall address all matters arising from the application of this Code.”
- “The Conduct Committee shall exercise those functions and follow those procedures assigned to it by the Boards under this Code and the Operating Guidelines for the Conduct Committee, and as may be otherwise determined by the Boards from time to time.”
- “The Boards recognize the importance in the Conduct Committee's execution of its duties in a timely manner. The Conduct Committee shall endeavor to carry out its responsibilities, such as providing any decisions or recommendations, in a fair and expeditious manner so as to reduce any unnecessary delay. As soon as practicable, the Conduct Committee shall consider any allegations made against an Executive Director.”
- “The Conduct Committee may also propose such operational regulations as may be necessary for implementation of the Code and operation of the Conduct Committee to the Boards for their consideration and approval.”



The Code of Conduct: Disclosures

- “Executive Directors shall provide certain written disclosures in the form prescribed by the Conduct Committee. Such disclosures shall include information concerning: (i) the financial interests of an Executive Director; (ii) official positions held by an Executive Director outside of the Institution; and (iii) such other disclosures concerning possible conflicts of interest, or other matters related to the Code, as the Conduct Committee shall require. Such disclosures shall be made to the authority designated by the Conduct Committee (the "Disclosure Review Officer"). Such disclosures shall be made upon appointment of the Executive Director and no less than annually thereafter, and at such other times and to such persons as may be required by the Conduct Committee.”
- “The Disclosure Review Officer shall consider the disclosures of Executive Directors with the objective of ensuring consistency with the Code. An Executive Director shall be obliged to resign from any position, divest himself or herself of any financial interest, or take such other appropriate measures, should such be required, so as to ensure that the Executive Director shall perform his or her service to the Institution with integrity, impartiality and objectivity. The Disclosure Review Officer shall attempt to resolve any concerns first with the Executive Director and, if applicable, shall promptly communicate the nature of the concern and its resolution to the Conduct Committee. If the concerns are not promptly resolved with the Executive Director, the Disclosure Review Officer shall bring such concerns to the attention of the Conduct Committee for resolution. The Executive Director concerned may, at any time, also make a request for guidance on the matter from the Conduct Committee, in which case the Disclosure Review Officer shall suspend any further action on the matter.”
- “Executive Directors may also seek guidance from the Conduct Committee on proposed financial interests, outside activities, and other matters concerning the Code prior to engaging in related activity.”



2009 Exercise to Amend the Code of Conduct

1. **One Code, One Committee:** A single Code and Operating Guidelines were established for the three Boards, as well as a single Committee composed of six members, two of which shall be appointed by the Board of each of the IDB, the IIC, and the MIF.
2. **Conflicts of Interest:** The amendments provided enhanced guidance on conflict of interests, including conflicts that may arise in relation to an Executive Director's involvement in personal financial activities and in the pursuit of other personal interests. Conflict-of-interest considerations were also added in relation to the activities of the members of an Executive Director's immediate family.
3. **Conflicts of Interest Disclosures:** A written disclosure mechanism was established, including the creation of the Disclosure Review Officer to receive and consider disclosures to ensure consistency with the Code. The amendments provided for Executive Directors to make disclosures of information concerning possible conflicts of interests, or other matters related to the Code, as the Committee requires. The amendments further provided for such disclosures to be made upon appointment of an Executive Director and no less than annually thereafter, and at such other times and to such persons as may be required by the Committee.



2009 Exercise to Amend the Code of Conduct, cont.

4. **Confidentiality of Information:** The amendments provided enhanced guidance on the use of confidential information by Executive Directors.
5. **Public Statements:** Language was added to emphasize that statements made by Executive Directors may affect the operations and reputation of their Institutions and to detail the basis on which Executive Directors may speak on behalf of their respective Board.
6. **Gifts:** The amendments provided an improved definition of gifts and clarified the procedures to follow when a gift is accepted by an Executive Director.
7. **Relationship with Management and Staff:** The amendments expressly affirmed the commitment of the Boards to work in an environment in which all individuals are treated with respect and dignity, and that prohibits discriminatory or harassing behavior.



2009 Exercise to Amend the Code of Conduct, cont.

8. **Subsequent Employment:** The amendments clarified the duty of Executive Directors to their respective Institution while seeking subsequent employment for themselves.
9. **Involvement in Procurement and Human Resources Matters:** The amendments established a prohibition on attempting to exert any undue influence on either Management or Staff with respect to the appointment, compensation and termination of employees of the Institutions.
10. **Committee Secretary and Advisors:** The amendments provided for the designation of a person of recognized professional competence and integrity to serve as Secretary to the Committee. The role of the General Counsels of each of the Bank and of the Corporation as Legal Advisors was also clarified. Outside advisors would be appointed by the Committee as needed to conduct investigations, and to provide such other support as the Committee deems appropriate.



2009 Exercise to Amend the Code of Conduct, cont.

11. **Procedures for Considering Allegations of Misconduct:** The amendments provided that an Executive Director who is the subject of an allegation would receive timely notice of the allegation and the opportunity to present his or her views to the Committee and to the Board, as applicable.
12. **Presentation:** Further changes were made to enhance the overall presentation of the Code and Operating Guidelines, particularly regarding the clarity of certain definitions, the ordering of subject matters and the elimination of redundant or historical text.



Code of Conduct and Operating Guidelines for the Conduct Committee of the Inter-American Development Bank

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