



OFFICE OF INSTITUTIONAL INTEGRITY AND SANCTIONS SYSTEM 2023 ANNUAL REPORT

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INSTITUTIONAL
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ACRONYMS

- ABAC** | Anti-Bribery and Anti-Corruption
- ACPC** | Anti-Corruption Policy Committee
- AML/CFT** | Anti-Money Laundering/Combating the Financing of Terrorism
- CAN** | Country Department Andean Group
- CCB** | Country Department Caribbean
- CID** | Country Department Central America, Haiti, Mexico, Panama, and Dominican Republic
- COF** | Country Office
- CSC** | Country Department Southern Cone
- EA** | Executing Agency
- FMM** | Fiscal Management Division
- FMP** | Financial Management and Procurement Services
- FTE** | Full Time Equivalent
- HOI** | Heads of Integrity
- IDB** | Inter-American Development Bank
- IDD** | Integrity Due Diligence
- IIC** | Inter-American Investment Corporation (“IDB Invest”)
- INE** | Infrastructure and Energy Sector
- IRR** | Integrity Risk Review
- KIC** | Knowledge, Innovation and Communications Sector
- LAC** | Latin America and the Caribbean
- MDB** | Multilateral Development Bank
- ML/FT** | Money Laundering/Financing of Terrorism
- NRA** | Negotiated Resolution Agreement
- NSG** | Non-Sovereign Guaranteed
- OII** | Office of Institutional Integrity
- OECD** | Organization for Economic Cooperation and Development
- ORP** | Office of Outreach and Partnerships
- ORT** | Outside of Risk Tolerance
- PCR** | Project Completion Report
- ROI** | Report of Investigation
- RMG** | Office of Risk Management
- SG** | Sovereign Guaranteed
- SME** | Small and Medium Enterprises
- SNC** | Sanctions Committee
- SO** | Sanctions Officer
- SOC** | Statement(s) of Charges and Evidence
- SOE** | State-Owned Enterprise

PREFACE

HOW INTEGRITY RISK MANAGEMENT CONTRIBUTES TO DEVELOPMENT IMPACT

The IDB Group's mission is to deliver sustainable and inclusive development to the people of Latin America and the Caribbean. The three offices that prepared this Annual Report —**the Office of Institutional Integrity (OII), the Sanctions Officer, and the Sanctions Committee**— support that mission by identifying obstacles (i.e., fraud, corruption, money laundering, and other illicit practices) that undermine the development impact sought by the IDB Group.

The work of these three offices has **two principal lines of effort:** first, they comprise a system by which the IDB investigates allegations of prohibited practices in its operations and publicly sanctions persons and entities found to have engaged in it. Separately, OII works to prevent such prohibited practices and similar misconduct in its activities by identifying and mitigating integrity and related reputational risks.

This work contributes significantly to the development impact sought by the IDB Group in the following ways:

1. By holding entities and individuals accountable for misconduct

Investigating allegations of prohibited practices—such as corruption, fraud, and collusion—and publicly sanctioning companies and individuals found to have engaged in such misconduct supports the IDB’s development objectives. It does so by dissuading entities and individuals from engaging in misconduct, protecting the IDB Group from bad actors, and requiring, in some cases, that sanctioned entities improve their integrity risk management as a condition for returning to work with the IDB Group.

2. By identifying and mitigating integrity risks

OII helps the IDB Group identify indicators of integrity risk in its activities and mitigate them using various tools and practices. Examples of such methods include conducting integrity due diligence on private sector companies, assessing the capacities of government institutions to manage integrity risks, and reviewing investigative findings for indications that misconduct found in one project could be repeated in another. Once integrity risk indicators are identified, OII works with the IDB Group to take actions that reduce the possibility that integrity risks will materialize and mitigate their impact if they do. Because these efforts are taken before risks materialize, they help the IDB Group avoid the corrosive effects of fraud, corruption, and similar misconduct on its operations, and ensure that its development impact objectives are met.

3. By increasing the capacity of institutions to manage integrity risks

Strong institutions are key to reducing fraud, corruption, and other misconduct in member countries, and improving the capacity of public and private institutions to manage integrity risks is part of the mission of the IDB Group.

Such improvements help to achieve development impacts across many projects, including but not limited to those financed by the IDB Group.

OII works to improve the capacity of institutions—including government agencies, private companies, and the IDB Group itself—to manage integrity risks. For example, OII may recommend that a public institution adopt specific improvements to their systems and controls, or advise a private company to improve its integrity compliance program, or provide technical training to IDB Group personnel. Similarly, by imposing compliance program requirements in connection with sanctions, the Sanctions Officer and the Sanctions Committee also work to improve integrity risk management capacity in private companies. As institutions become more aware of integrity risks, and more able to manage them, the incidence and impact of such misconduct on the IDB Group’s development goals should fall.

4. By protecting the reputation of the IDB Group

The IDB Group’s reputation as a trusted partner and advisor is key to its ability to achieve its development goals. Its

reputation for integrity is supported by the seriousness with which it responds to allegations of misconduct in its activities. Similarly, the rigor of its integrity due diligence and the capacity of its teams to manage integrity risks help set expectations about what types of behavior will be expected of others when working with the IDB Group. The IDB Group’s public sanctions reinforce this reputation, and encourage other whistleblowers to come forward, trusting that their allegations will be taken seriously.

The IDB Group’s reputation for integrity, in turn, encourages member countries to work with the IDB Group because its integrity standards help attract higher quality bidders, mobilize donor funds, and convince skeptical financiers that they can operate in the region—on their own or in connection with IDB Group operations.

Taken together, these efforts constitute a material contribution to the IDB Group’s efforts to achieve development impact for the benefit of the people of Latin America and the Caribbean. More detail about these sophisticated, multidisciplinary efforts and how they contribute to the mission of the IDB Group is provided in the report that follows.

Matthew Fowler
Chief of the Office of
Institutional Integrity (OII)



INTRODUCTION

1

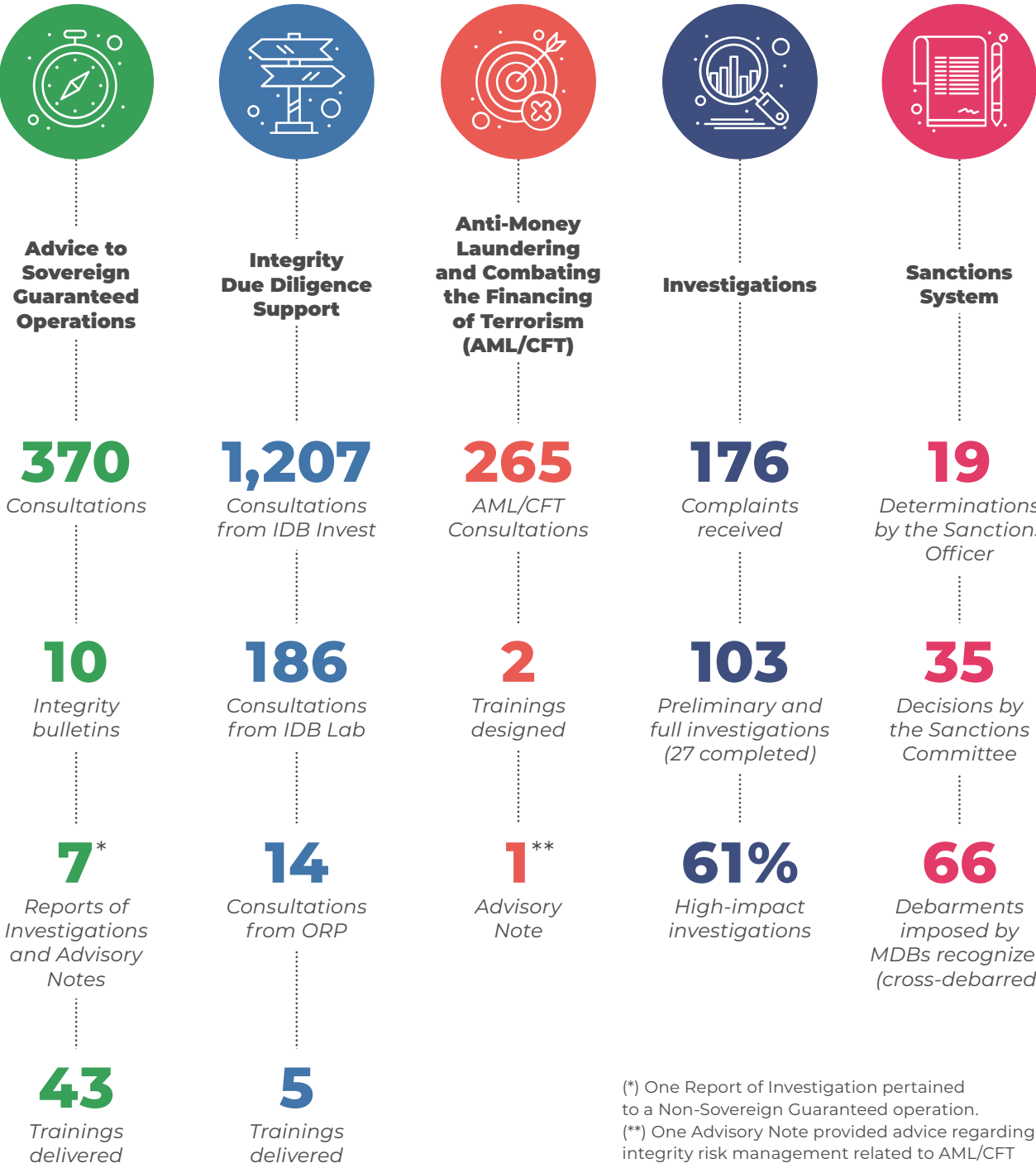
In 2023, the IDB Group Sanctions System continued to function effectively.

Allegations of prohibited practices flowed steadily to the Office of Institutional Integrity (OII), which assessed them and investigated those over which it had jurisdiction. **The Sanctions Officer (SO)** reviewed the cases that OII had submitted, engaged with the accused parties, and rendered Determinations pursuant to the IDB’s Sanctions Procedures. **The Sanctions Committee** provided an additional layer of due process for Respondents, reaching Decisions when Respondents appealed SO determinations. And **the Secretariat of the Sanctions Committee** made public the IDB Group’s recognition of sanctions imposed by other Multilateral Development Banks (MDBs) pursuant to the Agreement on Mutual Enforcement of Debarment Decisions.

This flow of activities —described in detail in this Annual Report— reflects a **well-functioning Sanctions System** that provides credible accountability for parties who engage in prohibited practices, while providing reasonable due process for subjects of investigations. It insulates IDB Group activities from bad actors and protects the reputations of the IDB, IDB Lab, and IDB Invest as institutions that place a high value on integrity and take seriously their obligations to operate according to the highest standards of integrity.

This Annual Report also describes the steps that OII takes to identify and manage integrity risks across the activities of the IDB Group, including in non-sovereign guaranteed operations, sovereign-guaranteed operations, and corporate activities. While these activities relate to a variety of controls, they are centered on providing expert advice in response to consultations from Operational and Corporate teams. Demand for this kind of advice generally increased, reflecting a growing culture of integrity risk management in the IDB Group.

Table 1 / Our performance in 2023



(*) One Report of Investigation pertained to a Non-Sovereign Guaranteed operation.
(**) One Advisory Note provided advice regarding integrity risk management related to AML/CFT and Sovereign Guaranteed operations.

Highlights in 2023

- In 2023, as a result of competitive processes, OII welcomed a new Chief of Office and a new Head of Investigations.

Prevention

Prevention in Sovereign Guaranteed (SG) Operations

- OII responded to a record 370 consultations related to IDB-financed activities.
- OII worked closely with the Infrastructure and Energy Sector (INE) to improve the assessment and mitigation of integrity risks in infrastructure programs and develop tools to mitigate the impact of such risks on INE programs.
- OII strengthened the capacities of Executing Agencies (EAs) to manage integrity risks through the delivery of 29 training sessions—the most ever in one year.

Prevention in Non-Sovereign Guaranteed (NSG) operations

- OII responded to 1,207 due diligence consultations for IDB Invest and 186 consultations for IDB Lab.
- OII delivered its first Report of Investigation (ROI) —a document that uses OII’s investigative findings

to identify lessons learned—for an NSG operation.

- OII delivered five training sessions to IDB Invest and two to IDB Lab.
- OII Collaborated with the Fiscal Management Division (FMM) to develop and deliver guidance about private sector compliance programs to support FMM’s cooperative compliance tax initiatives.

Due Diligence on Partnerships

- OII responded to 14 consultations by the Office of Outreach and Partnerships (ORP).

AML Framework Implementation

- OII responded to 265 AML/CFT consultations regarding the management of AML/CFT risk indicators in corporate activities.
- OII developed and launched two AML/CFT training courses to increase AML/CFT risk awareness across the Bank.

Investigations

- OII received 176 complaints, an unprecedented number reflecting an increase of 53 percent compared to the average number received in the four previous years.

- OII completed 27 investigations, including both preliminary and full investigations.

Coordination and Cooperation

- OII hosted the Heads of Integrity (HOI) meeting in Colombia, which was attended by the HOIs from the five multilateral development banks (MDBs), plus the European Investment Bank.

Sanctions Officer (SO)

- In 2023, the Sanctions Office issued 19 Determinations, a 70 percent reduction from 2022 that resulted from a reduction in respondents and other parties subject to sanction per case, yet the case complexity remained high.
- Compliance programs under SO supervision rose, reflecting a continued commitment to the rehabilitation and reintegration of sanctioned companies into the development market.

Sanctions Committee

- The Committee issued 35 Decisions. This constituted an increase of 169 percent compared to 2022 outputs.

TABLE 2 /
Sanctions Procedures Update

The IDB Group amended the Sanctions Procedures in 2023 to expand the IDB Group’s ability to hold accountable all parties involved in prohibited practices, regardless of the type of IDB Group-financed activity. This amendment was adopted after an extensive analysis by a working group led by OII, which included representatives from several IDB and IDB Invest stakeholders. It also brings the IDB Group’s policy into closer alignment with the policies of other MDBs.

Prior to the amendment, in the context of NSG operations, advisory services and corporate procurement, the IDB could only sanction for prohibited practices third parties that were *direct contractual counterparties* of IDB Group entities. In SG operations, however, the IDB had jurisdiction to sanction *any party involved in such a Project whether by virtue of a contract with a member of the IDB Group or with other parties in connection with a Project [...]*. These other parties subject to sanction included, inter alia, borrowers, recipients of grants, beneficiaries of a technical cooperation, bidders, suppliers, contractors, subcontractors, consultants, subconsultants, service providers, applicants, concessionaires, and financial intermediaries (including their respective officers, employees, and agents).

The amended Sanctions Procedures provide the same scope of application for NSG, SG, and corporate operations. Specifically, they allow the IDB to investigate and sanction *any party that, directly or indirectly, participates in or seeks to participate in a Project or obtain funding for a Project*. This change in policy marks a significant improvement in the IDB’s ability to investigate and sanction prohibited practices across the breadth of its activities.



PREVENTION RESULTS

2

OII's prevention work focuses on providing advice about the identification and mitigation of integrity risks, most frequently in response to consultations from project teams or other operational units.

In 2023, OII responded to a high number of consultations from across the IDB Group, including IDB Operational Teams, IDB Invest, IDB Lab, and the Office of Outreach and Partnerships. The volume of consultations and the number of different units submitting consultations **reflect a broad awareness of the need to manage integrity and related reputational risks**. This work takes place against the backdrop of evolving integrity risks in the region.

Integrity risks in Latin America and the Caribbean (LAC) remain elevated even though the region's economic growth exceeded initial 2023 projections and matched pre-pandemic levels. According to Transparency International's Corruption Perception Index 2023, LAC faces considerable challenges in the fight against corruption. The broad lack of independence in the judiciary and the influence of political and economic elites on judicial decisions undermine the rule of law, promoting impunity that benefits organized crime and other corruption networks.

2.1. Advice to Sovereign Guaranteed Operations

In Sovereign Guaranteed (SG) operations, projects are implemented by Executing Agencies (EAs) and involve many third parties including bidders, suppliers, contractors, consultants, and others. In this context, institutional deficiencies in internal controls, governance, and project management heighten the risk that prohibited practices or other integrity violations may occur. OII manages

these integrity risks in SG operations by identifying such vulnerabilities and working with project teams and EAs to address them. This prevention work directly supports the development objectives of the IDB, by mitigating the risk that the IDB's development objectives could be undermined through fraud, corruption, or other prohibited practices.

Consultations on SG Operations

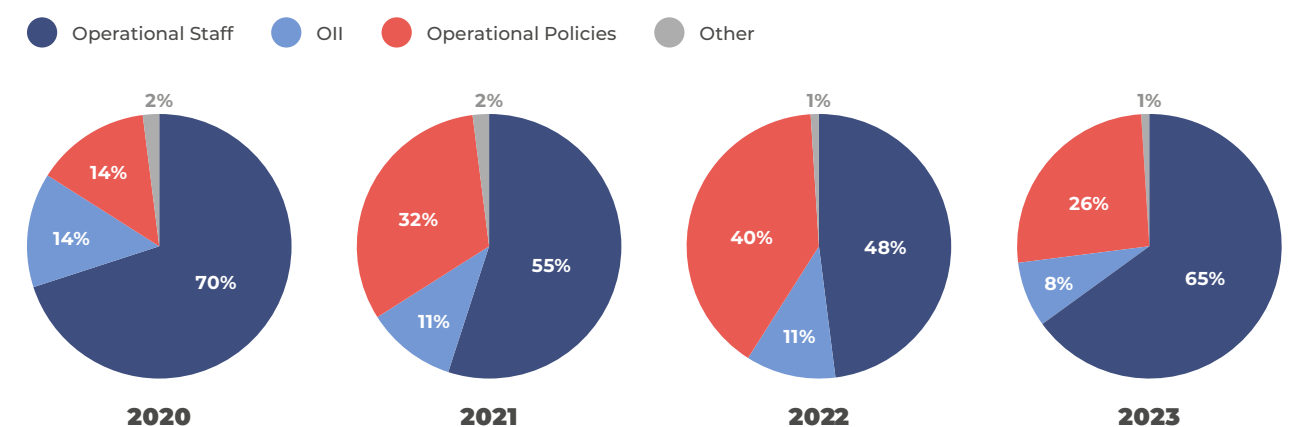
Consultations are a vital element of OII's preventive role. Through them, the Office:

- **Offers guidance to project teams and managers** on identifying, assessing, and mitigating integrity risks and reputational impact.
- **Advises on compliance** with the Bank's operational policies related to integrity.

OII responded to 370 consultations about SG operations in 2023, an increase of 7 percent over 2022. Out of the 370 consultations, 330 were related to individual SG programs, 31 to multiple SG programs, and 9 to corporate activities and cross-cutting issues.

In 2023, 65 percent of the SG consultations OII handled were triggered by specific integrity risk indicators identified by operational staff or OII. The increase in requests for advice from operations is partially explained by OII's efforts to mainstream integrity risk management in SG operations by incorporating in relevant guidelines a requirement that integrity issues be tracked and reported in Project Completion Reports (PCRs), Results Based Loans, and Bank-executed operational work. Twenty-six percent of the SG consultations received related to these requirements, while 8 percent arose directly from OII (**see Figure 1**).

Figure 1 / Consultations by Trigger (2020-2023)

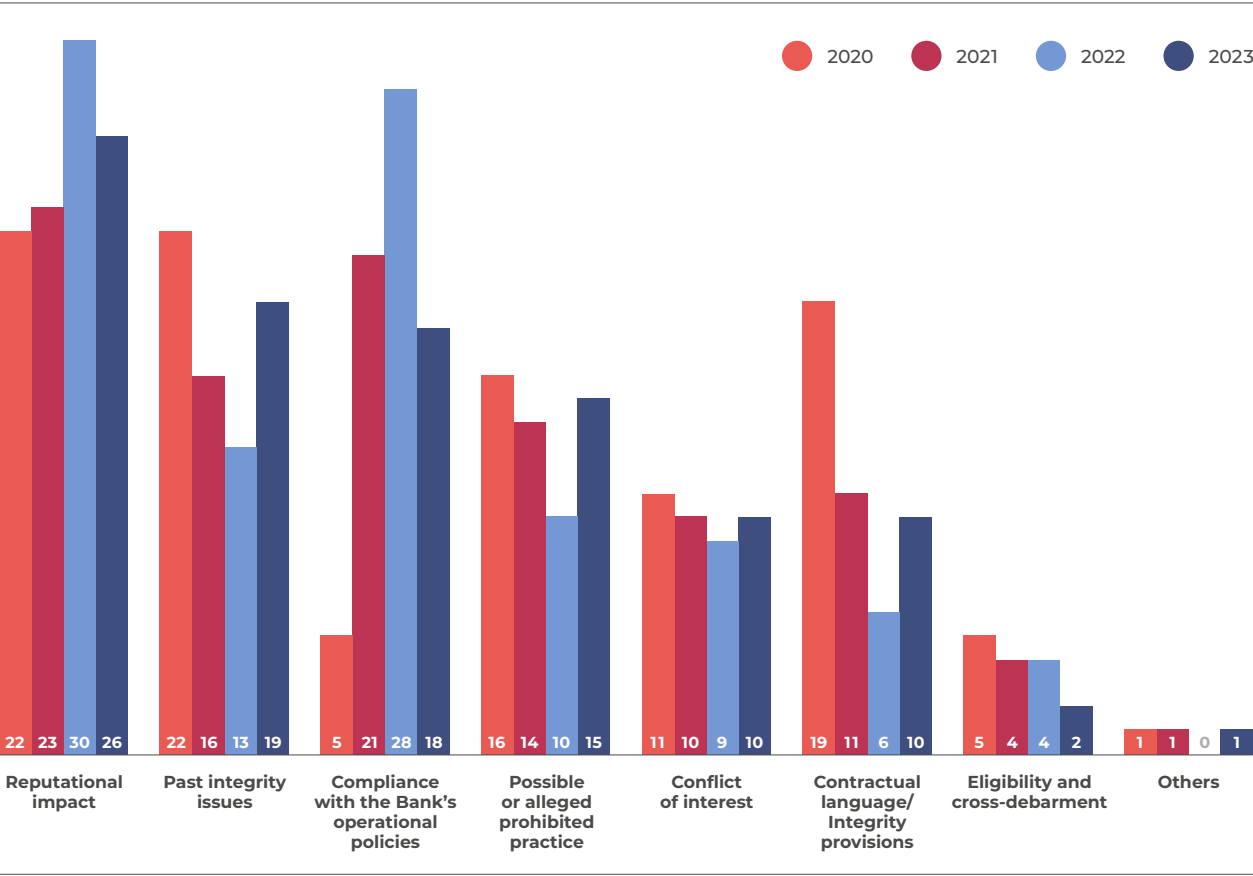


Note: Percentages might not add up to 100 percent because of rounding.

In 2023, as in 2022, OII was most frequently consulted by operational and corporate teams regarding situations that could negatively impact the Bank’s reputation and implementation of activities, such as EAs and contractors with a history of integrity issues. The Office advised these teams on actions they could take to mitigate these risks. OII also provided advice on other issues, such as ensuring adherence to the integrity components of operational

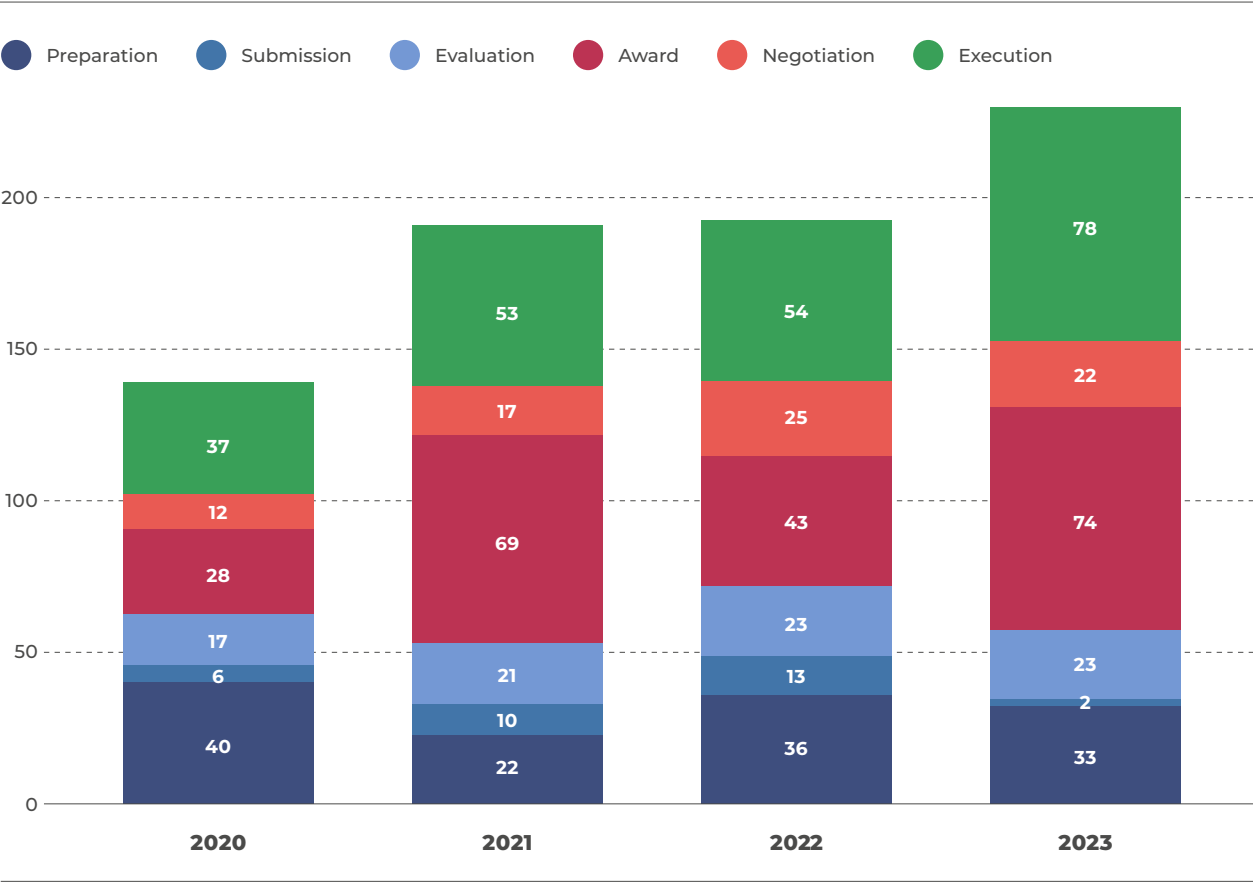
policies and evaluating red flags concerning integrity issues (see Figure 2). Advice provided by OII regarding specific programs can sometimes be used to provide cross-cutting recommendations addressing risks in several programs. For example, in 2023, OII advised a project team in a Country Office (COF) about mitigating the integrity risks and reputational impacts that can arise when project teams meet with bidders and contractors. This advice

Figure 2 / Issues Addressed in SG Consultations (2020-2023)



Note: Figure depicts percentages of consultations including the aspect. Some consultations involved more than one issue.

Figure 3 / Consultations Through the Procurement Cycle (2020-2023)



Note: Figure does not include consultations related to issues outside the procurement cycle or related to multiple phases.

included proposed procedures and best practices for project teams before, during, and after such meetings. The COF applied OII’s guidance on this program across all programs, allowing it to address these risks in a strategic manner and improve integrity risk management in the field.

Of the 361 program-related consultations¹ handled by OII’s SG prevention team in 2023,

67 percent related to projects during their implementation. This reflects a sustained and appropriate emphasis on integrity risks during the implementation phase, when integrity risks can materialize or become more acute, and when OII’s advice can have the most impact. However, OII is working with project teams to engage earlier in the project cycle, by incorporating an appropriate integrity risk management strategy in

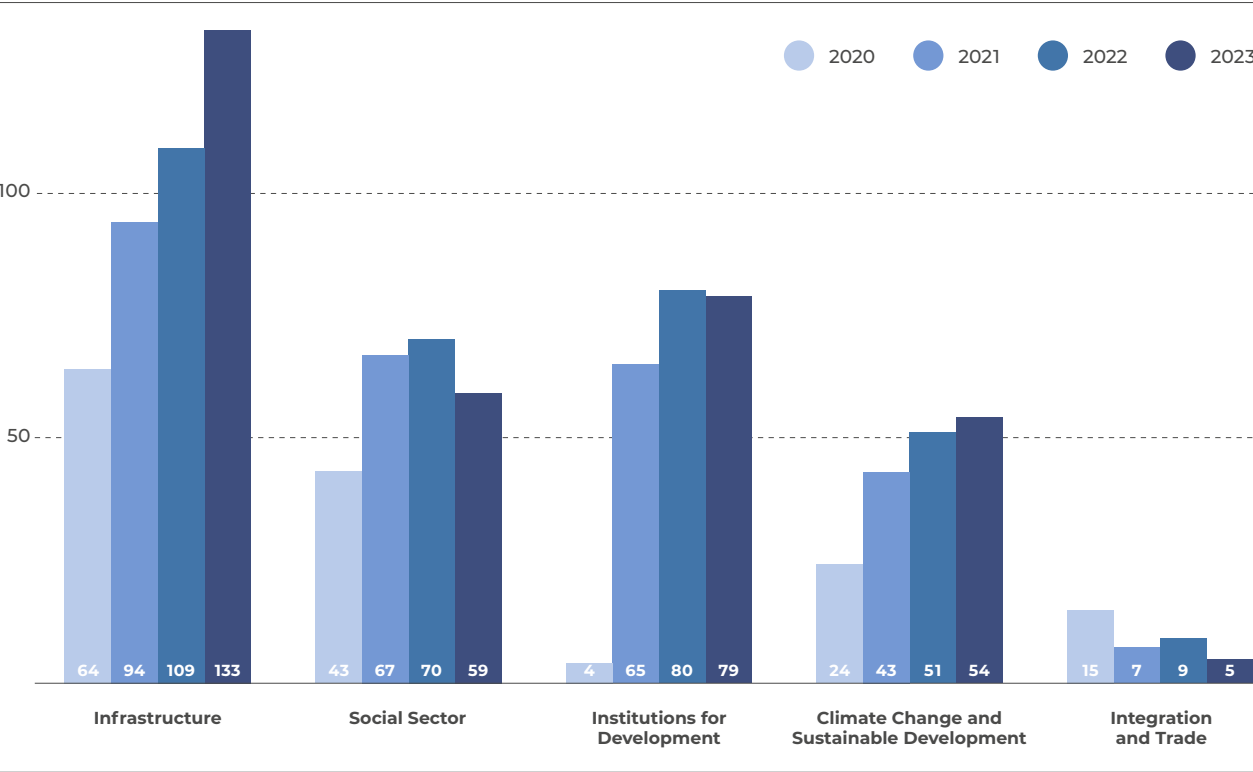
1. It includes consultations addressing issues in Bank-Executed Operations.

earlier operational stages. In addition, OII is working to share integrity lessons learned when projects are closed, in order to improve future programs. Both efforts are reflected in the consultations, where 17 percent of consultations related to the preparation stage while 15 percent were related to the preparation of Project Completion Reports. In 2023, the number of consultations OII received in connection to the execution of individual contracts increased 44 percent. In both cases OII was most often consulted on assessing red flags that could signal the occurrence of a prohibited practice, as well as past integrity-related events related to

the EA's personnel and contractors that could affect the program's execution and the Bank's reputation (see Figure 3).

Following the trend of previous years, most consultations received by OII originated in the Infrastructure and Energy Sector (INE), showing a 22 percent increase from 2022 to 2023. This increase in consultations is largely due to a collaborative effort taken by OII and INE in 2023 to improve the consistency and quality of integrity risk management in INE programs. **Figure 4** below shows that consultations related to programs in other sectors remain relatively stable.

Figure 4 / Consultations by Sector (2020-2023)



Note: Figure excludes consultations not related to a specific program, corporate activities, or related to multiple sectors.

CASE STUDY 1 /

Integrity Risk Management in Infrastructure Programs: Cross-Collaboration for Impact and Development Effectiveness

Infrastructure projects present elevated integrity risks for several reasons, including that projects (i) are of high value and long terms, (ii) involve technical complexities, (iii) involve a significant number of entities, and (iv) typically involve government-awarded licenses and permits. Materialization of integrity risks can reduce the quality or quantity of the infrastructure works provided, can result in cost overruns, and can harm the reputation of the Bank and its partners.

For these reasons, in 2023, OII and INE collaborated closely to strengthen integrity risk management in IDB-financed infrastructure programs. Building on existing approaches, OII and INE developed actionable tools that both project teams and EAs can use to reduce the occurrence of corruption, fraud, and other prohibited practices in IDB-financed infrastructure programs. These same tools can decrease the impact that such misconduct, when it does occur, has on infrastructure programs. Importantly, the initiative builds the capacity of public sector institutions across the region to identify and address integrity vulnerabilities in their governance and key processes.

This joint OII-INE effort aims to enhance infrastructure programs by expanding the use of existing tools and mechanisms and developing new ones. These new tools, which bolster integrity risk management by internal and external actors, include:

- A new integrity module that can be incorporated in the Institutional Capacity Assessment Platform. The questionnaire helps evaluate whether the Executing Agency and its institutional environment have the mechanisms for an adequate integrity risk management of the project.
- A methodology and workshops with Executing Agencies for facilitating the identification and management of integrity risks. Guidelines for

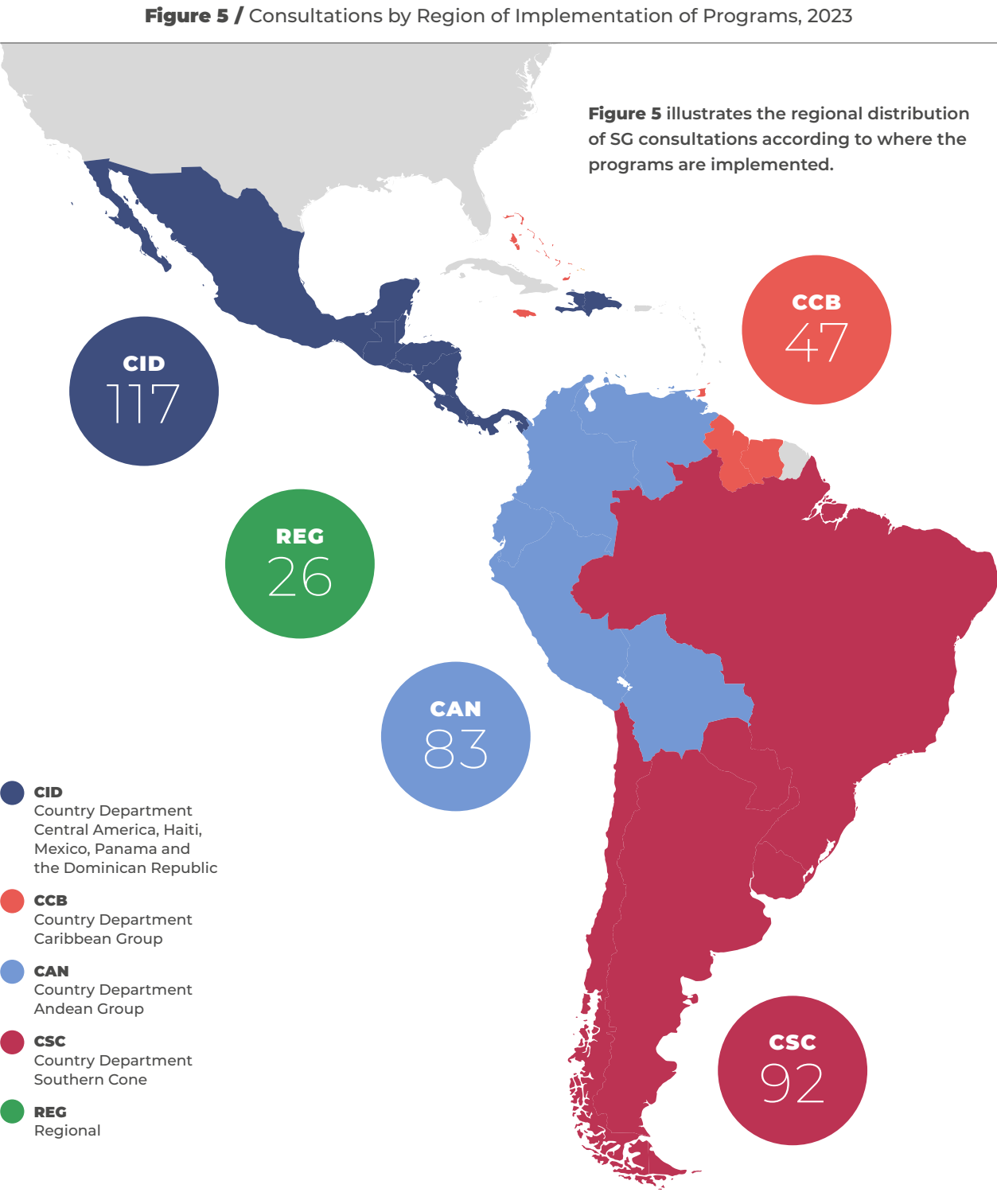
both IDB staff and Executing Agencies have been created to support the assessment.

- Enhanced integrity due diligence requirements to be incorporated in bidding documents, as well as training for evaluation committees on how to manage the risks identified through that due diligence.
- Updated integrity declaration forms for bidding documents that request more detailed information to support executing agencies in assessing integrity risks and to inform decision making in relation to risk mitigation strategies.

During 2023, OII and INE piloted these tools in four new operations from the Transport and Energy divisions. OII, the project teams and counterparts from the EAs analyzed and discussed integrity risks, their causes, and how they could negatively impact the development outcomes of the programs. The risk mitigation measures agreed upon were monitored throughout the rest of the year. The tools and approaches will be improved with feedback from internal and external stakeholders.

The initiative also resulted in actions for programs already in execution. These programs incorporated in their bidding documents the enhanced due diligence requirements and disclosure forms described above. These tools, along with training, will help the EAs manage integrity risks and reputational impact in procurement processes.

These efforts mark a significant milestone in the management of integrity risks in SG operations. This collaboration was further supported by other IDB departments, including the Office of Financial Management and Procurement (FMP), the Knowledge and Learning Division (KIC), the Legal Department, and the Strategic Planning and Monitoring Division.



Note: Figure does not include five consultations that were non-program related.

Integrity Risk Reviews (IRR)

As a key part of OII’s prevention activities, the Office conducts broad risk analyses of entire programs, sectors, or cross-cutting themes to identify and assess integrity risks that might undermine the development impact sought through IDB-financed programs. These reviews are robust, resource-intensive, and apply a methodology adopted by OII in 2016. This methodology

establishes criteria for program selection, including that the EA show an interest in improving its systems. In 2023, OII completed an IRR for a Water and Sanitation Program implemented by a State-Owned Enterprise (SOE) and finalized the on-site work for an IRR for a decentralized Transport Program. In both cases, the EAs had been affected by past integrity events that had harmed their reputations, and they were keen to implement OII’s recommendations.

CASE STUDY 2 /
Integrity Risk Review for
a State-Owned Water
and Sanitation Company

Building institutional capacity is a key element of the IDB Group’s institutional strategy. One of the most robust ways that OII helps EAs develop the institutional capacity to identify and manage integrity risks is by conducting Integrity Risk Reviews (IRR).

In 2023, OII conducted an IRR for a State-Owned Enterprise (SOE) responsible for the provision of drinking water and sewage services in a capital city in the region. The SOE had previously experienced a corruption scandal that had affected its reputation around integrity. OII found that following the corruption scandal, the SOE had adopted systematized integrity risk assessments and risk monitoring. It had implemented a solid corporate governance structure and strong integrity controls which had been in place for several years.

It had also created a system to ensure that the reforms it had committed to making were implemented —a system that included process documentation and double verification. This system also helped identify cross-cutting vulnerabilities and assess the measures adopted. All these reforms helped decrease the likelihood that prohibited practices will recur, as well as mitigate the impact if they do.

Despite these reforms, OII identified opportunities for improvement and recommended that the SOE enhance its integrity risk management system to:

- 1. Strengthen** the oversight role of the Board of Directors and set the tone at the top for integrity risk management.
- 2. Reinforce** the independence of mechanisms to address ethics and integrity to ensure impartiality and generate users’ trust.
- 3. Request** minimum criteria regarding professional experience and education for senior management positions.

Develop verification protocols for the authorities that request and approve emergency procurements to reduce discretionary powers and have a more informed decision-making process.

2.2. Integrity Due Diligence (IDD) Support

In Non-Sovereign Guaranteed (NSG) operations, integrity and related reputational risks are managed by conducting integrity due diligence on the counterparty, its principals, and other entities or persons involved in the project being financed. As part of its mission relating to integrity and reputational risk management in NSG operations, OII provides regular integrity due diligence (IDD) support to IDB Invest and IDB Lab. OII also provides IDD support to the Office of Outreach and Partnerships (ORP) to manage the reputational risk presented by partnerships and similar relationships with private sector entities.

Support to IDB Invest

OII primarily supports IDB Invest by advising project teams on any integrity or reputational risks identified through IDD, and on the conduct of IDD itself. The IDD conducted on IDB Invest operations is anchored in the IDB Invest Integrity Framework and has three components:

- **Know-your-customer reviews**, which focus on potential counterparties, but also encompass other relevant entities.
- **Assessments of the anti-money laundering systems** of financial institution counterparties.

- **Assessments of the risks**, including certain tax-related risks, presented by counterparties with cross-border corporate structures.
- Based on these assessments, OII advises IDB Invest on whether a project presents:
- **Minimal integrity and reputational risks** that are within risk tolerance and do not merit disclosure or mitigation.
 - **Heightened risks** that are within risk tolerance but merit disclosure to decision makers and mitigation where necessary.
 - **Significant risks** that are outside of risk tolerance (ORT).

During 2023, OII responded to 1,207 consultations² for IDB Invest (see Figure 6). Of those consultations, 723 were related to projects in origination and 484 related to projects in supervision. In 2023, OII provided IDD assessments on 625 separate projects (125 in origination and 500 in supervision). For the 125 in origination, OII completed full integrity risk assessments on 67 and concluded that 39 of them (53.42 percent) presented minimal risk; 25 (37 percent) had a heightened risk resulting in integrity disclosures and, frequently, mitigation measures; three (4.11 percent) showed significant risk and did not proceed to approval (see Figure 7).

2. OII frequently provides advice to IDB Invest in multiple instances regarding a single project. Accordingly, OII tracks the work it does at each phase as a separate “consultation,” because each represents a distinct element of work for OII, and projects frequently begin their cycle in one year and finish in another. Accordingly, OII tracks both the number of projects on which it is asked to provide advice as well as the number of consultations to which it responds.

Figure 6 / IDD Consultations by Year (2020-2023)

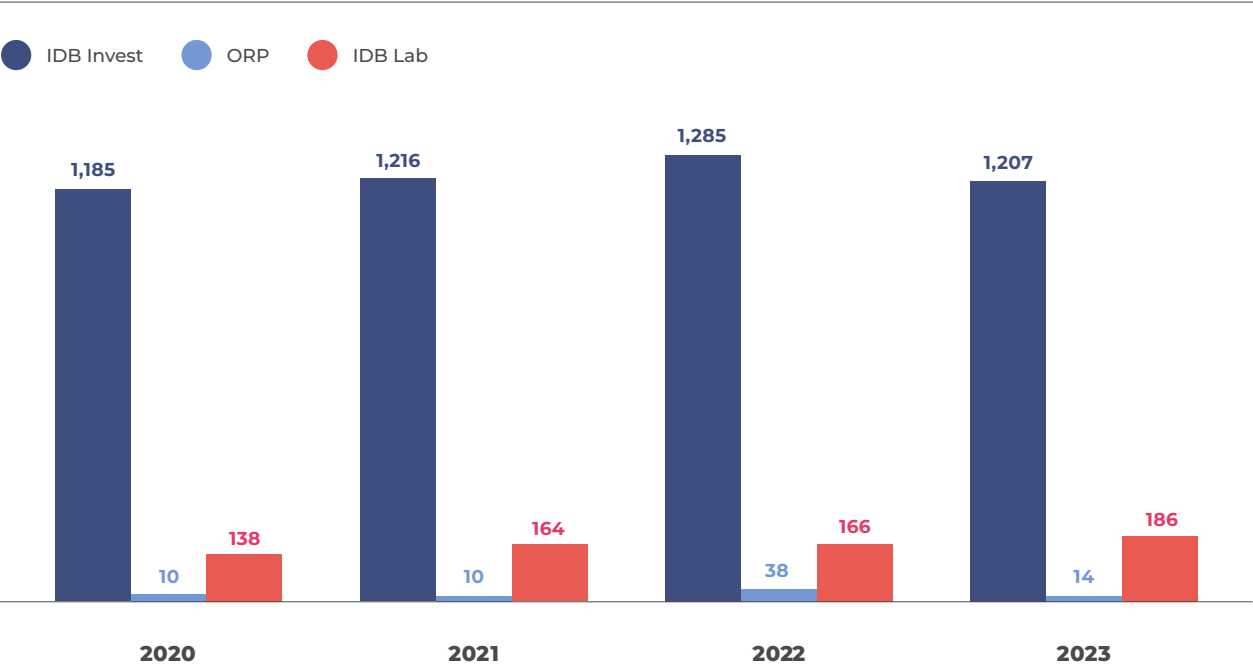
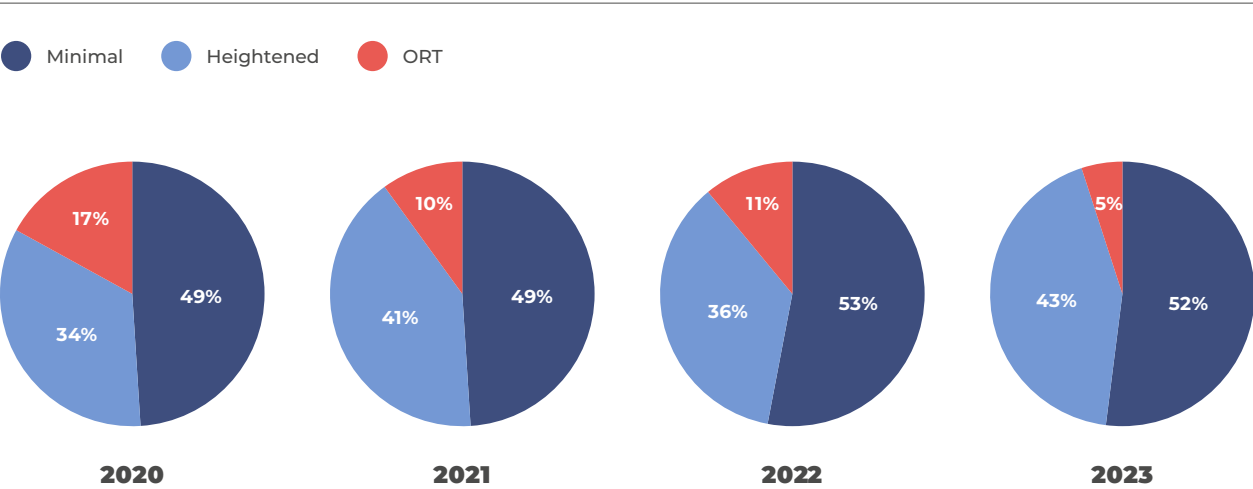


Figure 7 / IDD Integrity Risk Assessment Outcomes IDB Invest Origination Projects (2020-2023)



Note: ORT stands for outside of risk tolerance.

For the 25 projects in origination that OII concluded presented heightened integrity risk, the Office developed **mitigation approaches tailored to the integrity and reputational risks identified**. Mitigation measures frequently include a requirement that IDB Invest counterparties adopt or provide evidence of anticorruption compliance programs aligned with international best practices (**see Case Study 3**). These reforms improve the awareness of integrity risk within IDB Invest counterparties, increase their capacity to

manage such risks, and improve the overall anticorruption environment in the region. Adoption of such mitigation measures contributes to the development objectives of IDB Invest operations, in addition to reducing integrity and reputational risks.

Of the 484 projects in supervision on which OII provided IDD assessments, OII concluded that 15 merited heightened integrity monitoring and inclusion in the confidential Integrity Monitoring List, which is communicated to IDB Invest

CASE STUDY 3 /

Mitigating Integrity Risk via a Compliance Program

OII regularly requires that companies implement robust compliance programs to mitigate integrity risks for IDB Invest. These compliance programs also contribute to development impact, by improving the integrity risk management by companies.

In 2023, IDB Invest engaged in a project with a multinational sponsor operating in a high-risk industry. The sponsor intended to hire multiple construction and engineering subcontractors, all while the country grappled with a recent large-scale corruption scandal involving several construction companies. To proactively address the integrity risks and potential reputational impact presented, OII recommended that IDB Invest require the sponsor to provide evidence of their anticorruption compliance program and if needed, align it with international best practices.

The company provided evidence that their compliance program is robust and that they include, in their agreements with construction companies and other suppliers, specific provisions that would facilitate integrity risk management.

These provisions require suppliers to adhere to all applicable anticorruption laws and regulations, conduct due diligence on subcontractors, agents, or intermediaries, and promptly report any suspected violations to the sponsor. Importantly, these provisions empower the sponsor to terminate the contracts in case of any breach of these provisions, or unilaterally if integrity risks exceed risk tolerance.

These provisions have the effect of pushing key integrity risk management tools, including integrity due diligence, down to the suppliers and subcontractors of the IDB Invest counterparty. They also give IDB Invest robust tools to respond if integrity or related reputational risks arise related to the work of subcontractors—for example, by requiring the sponsor to enforce its contractual rights. Accordingly, they mitigate the integrity and reputational risks for IDB Invest, helping the sponsor improve its capacity to manage such risks.

senior management and the Board of Executive Directors on a quarterly basis. In such cases, OII works closely with IDB Invest to determine next steps, which typically involve the close monitoring of relevant news and developments, and assessing whether IDB Invest can take operational or legal steps to manage and mitigate the integrity and reputational risks. Those risks can be mitigated by, among other possibilities, requiring or requesting the borrower to implement compliance reforms.

Figure 8 breaks out by sector the outcomes of consultations on origination projects in 2023: Financial Institutions (FI), INE, and Corporates. In a shift from prior years, INE did not generate the bulk of consultations that resulted in an ORT classification. Rather, the greatest number came from FI, followed by Corporates, and no consultations from INE resulted in an ORT outcome. This change is related to the decrease in the number of new infrastructure projects in 2023, as well as an increased awareness of the importance of considering integrity risks when selecting partners in this sector.



CASE STUDY 4 /

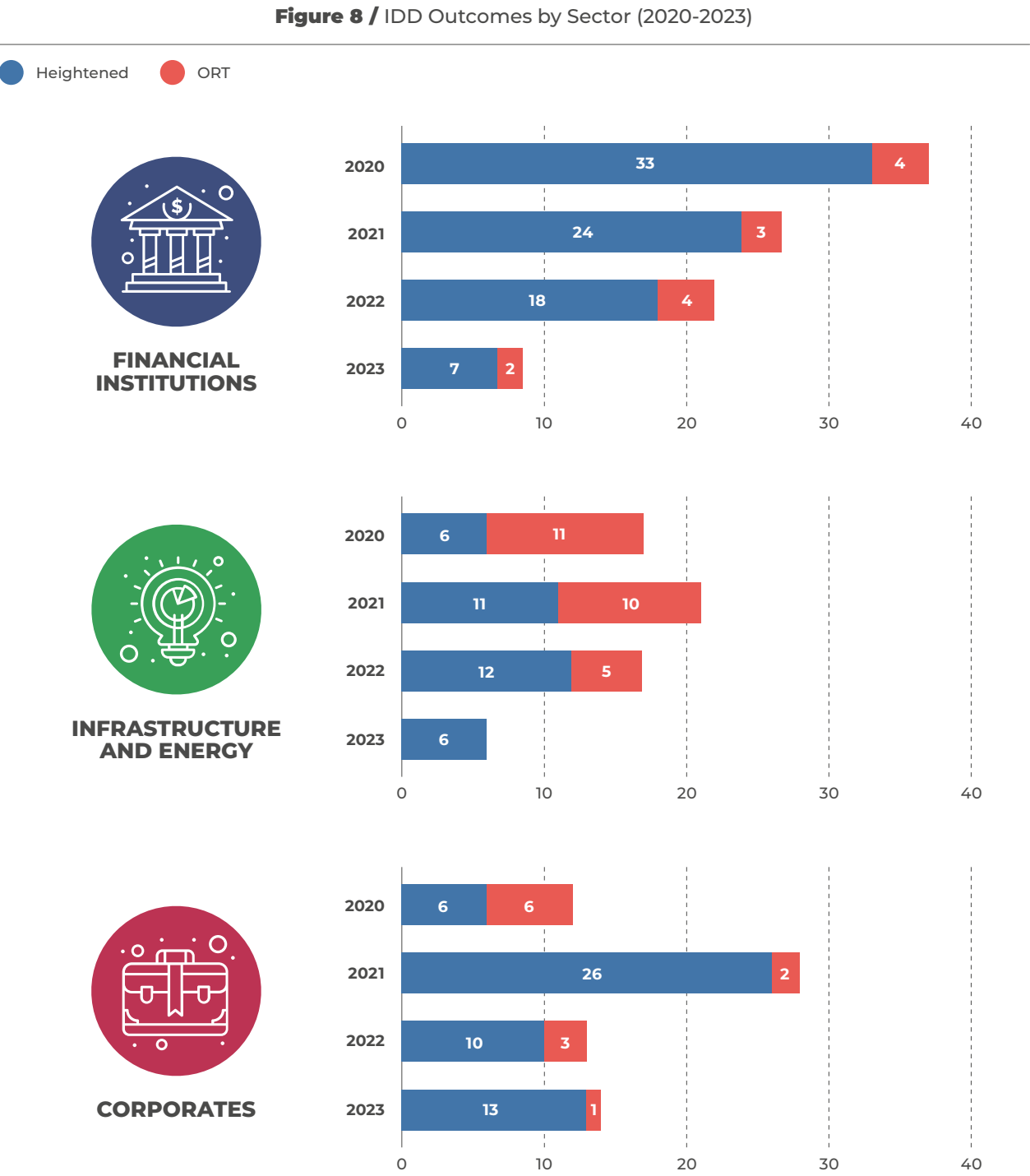
Targeted Risk Assessment as an Effective Compliance Response

During its portfolio monitoring process, IDB Invest learned that a sponsor in four IDB Invest projects and a consortium member in eight additional IDB Invest projects had been sanctioned by the antitrust authority in their home country for collusive practices in infrastructure construction tenders.

While none of these tenders were connected to projects financed by IDB Invest, OII collaborated closely with IDB Invest to assess and mitigate the integrity and reputational risks associated with this development.

OII and IDB Invest required the company to strengthen its existing compliance program to prevent similar misconduct in the future, and to align that program with international best practices. To bolster this process, OII and IDB Invest required the company to conduct a targeted risk assessment focused on anticompetitive conduct, using an external expert acceptable to OII and IDB Invest. Importantly, the company shared the results of this assessment with IDB Invest and OII, leading to an action plan for improvements.

This plan reduced the integrity risks that the affected portfolio projects present to IDB Invest by improving the company's antitrust compliance program, reinforcing its mechanisms to detect and respond to risk indicators, and giving IDB Invest the ability to request that the company take specific actions if new risk indicators arise.



Note: ORT stands for outside of risk tolerance.

Collaboration with FMM: Compliance Programs Related to Tax

In 2023, OII collaborated closely with the IDB’s Fiscal Management (FMM) Division in connection with FMM’s Cooperative Compliance Program. Through this program, FMM works with tax authorities to adopt regulations that provide financial incentives for companies that adopt transparent, low-risk approaches to tax structures and compliance. In order for this regulatory effort to be successful, however, the participating companies need a compliance system to provide assurances that they have complied with the standards. OII worked with FMM to communicate corporate compliance principles that private sector companies could apply to their tax practices, as a counterpoint to those regulations.

Support to IDB Lab

While IDB Lab’s IDD methodology is broadly consistent with the one applied by IDB Invest, OII has worked with IDB Lab to adjust that methodology to correspond to the specific risks presented by IDB Lab’s operations and counterparties, many of which are startup or early-stage companies with limited resources and nascent governance structures.

Consultations

In 2023, OII responded to 186 consultations³ for IDB Lab, including 149 that related to projects in origination and 37 that related to projects in supervision. Of the origination projects on which OII completed an integrity review, OII found that 58 presented minimal risk, 17 presented heightened risk, and 2 presented integrity risks that were outside risk tolerance (see Figure 9).

«Of the 484 projects in supervision on which OII provided IDD assessments, OII concluded that 15 merited heightened integrity monitoring and inclusion in the confidential Integrity Monitoring List.»

3. OII frequently provides advice to IDB Lab in multiple instances regarding a single project. Accordingly, OII tracks the work it does at each phase as a separate “consultation” because each represents a distinct element of work for OII.

Action Plan with IDB Lab

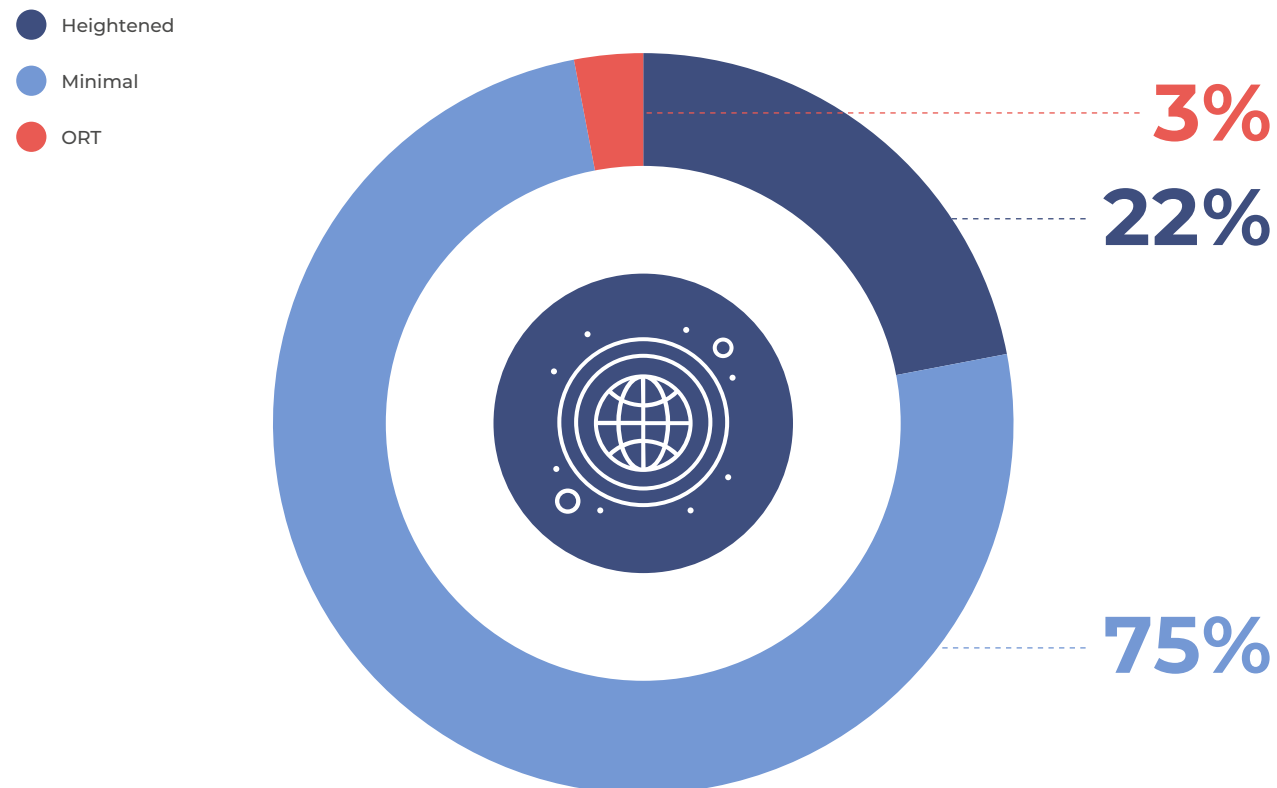
In 2023, OII and IDB Lab agreed to an action plan to implement controls responding to integrity risks. These controls were recommended by OII, based on an Integrity Risk Assessment that it conducted in 2021 at IDB Lab's request.

These controls, which are scheduled to be implemented in 2024, will strengthen integrity risk management in IDB Lab projects in a way that is appropriate for IDB Lab's operations and clients.

Support to the Office of Outreach and Partnerships (ORP)

The Office of Outreach and Partnerships (ORP) enters into partnerships and similar relationships with private sector entities and nongovernmental organizations. These relationships can present reputational risk to the IDB Group. To manage these risks, ORP conducts IDD on potential partners, pursuant to a defined standard that differs from the IDD standards for IDB Invest and IDB Lab. OII supports this process by providing expert advice on the reputational

Figure 9 / IDD Integrity Risk Assessment Outcomes IDB Lab Origination Projects



risks presented by specific relationships and activities, in response to consultations from ORP. In 2023, OII responded to 14 such consultations.

2.3. Anti-Money Laundering/Combating the Financing of Terrorism (AML/CFT)

OII oversees the AML/CFT Compliance System established under the IDB's Anti-Money Laundering/Combating the Financing of Terrorism (AML/CFT) Framework. This system protects IDB resources from money laundering, terrorist financing and related risks, and safeguards the Bank's reputation from risks that can arise when conducting transactions with third parties and when managing third party funds. In this capacity, OII serves as the AML/CFT compliance function, provides advice to Business Units regarding specific activities, manages AML/CFT risks across the Bank, and supports the application of AML/CFT controls.

2023 marked the first full year after implementation of recommended controls based on an AML/CFT risk assessment led by OII, with the support of the Office of Risk Management (RMG). As such, it marked a transition in OII's role from

focusing on facilitating implementation of the recommended controls, to serving as the IDB's compliance function for AML/CFT matters. Accordingly, this first year of data related to OII's AML/CFT compliance activity establishes a baseline against which future data will be compared.

In 2023, OII responded to 265 AML/CFT consultations from Business Units regarding the application of AML/CFT controls to specific transactions and relationships. Of these consultations, 101 related to economic sanctions,⁴ and 58 percent of those related to the identification and blocking of sanctioned banks within the Bank's payment systems.

These mitigation measures reduced the likelihood that the Bank might conduct transactions with and/or through such institutions. The remaining 164 consultations arose from due diligence conducted on IDB counterparties. Of these, 82 percent related to the contracting of vendors in Corporate Procurement and Bank-Executed Operations and allowed the Bank to assess and mitigate those risks prior to contracting with them.

While this is the first year such data have been collected, they reflect a relatively strong awareness within the Bank of the importance of managing AML/CFT risks, and of using OII as an advisory resource to help manage these risks.

4. While national economic sanctions do not apply to the IDB, screening for economic sanctions is a baseline control under the AML/CFT Framework.

2.4. Reports of Investigation (ROIs) and Advisory Notes

OII uses the findings from its investigations to distill lessons learned, identify control gaps, and make recommendations to Management and operational teams to improve integrity risk management. OII disseminates this knowledge to Management and operational staff via Reports of Investigation (ROIs) and Advisory Notes.

ROIs are issued after the investigation is complete, but without waiting for an outcome of the sanctions process. Advisory Notes are issued while the investigation is still ongoing, when risk indicators are detected that warrant immediate action. Both ROIs and Advisory Notes can be prepared for any type of project financed by the IDB Group, as well as for corporate procurement.

In 2023, OII issued seven ROIs and one Advisory Note, which were distributed as follows: five for IDB-financed operations, one for an IDB Lab-financed project, one for an IDB Invest-financed operation, and one Advisory Note relating to corporate procurement. This is the first time that, in the same year, OII issued such advice for all types of IDB Group-financed activities. This reflects a consistent approach and level playing field regarding communicating lessons learned from investigations within the institution.

TABLE 3 / UPDATE

Ensuring Implementation of OII Recommendations in ROIs and Advisory Notes

OII's ROI and Advisory Note recommendations can be very effective integrity risk management tools. In 2023 OII initiated a process to enhance the quality of such recommendations by following up with project teams in five sectors and a corporate department and assessing the implementation of 26 OII recommendations.

All of the OII recommendations were in 2022, and resulted from seven different investigations of fraud, corruption, and collusion. Based on the information received from the teams, OII considers that 7 out of 26 recommendations were successfully implemented by their addressees, while 19 remain in progress.

For example, in an ROI for a specific project, OII recommended that the project team seek alternative approaches to ensure that the EA confirmed the eligibility of companies before amending contracts. This recommendation arose from investigative findings, and resulted in the fiduciary team developing a template that was distributed to all EAs in the country. This concrete action reduced the likelihood — across all projects in that country— that the IDB could amend contracts with sanctioned parties, in violation of integrity requirements. This recommendation was considered to be fully implemented, and demonstrates the value of these recommendations.

Even though the effort to follow up on the implementation of OII recommendations in ROIs and Advisory Notes is still in a pilot phase, it has already helped to identify challenges to implementing those recommendations and ways to improve OII's advisory products.

2.5. Training and Outreach Activities

Training

OII places a strong emphasis on capacity building, recognizing that preventing prohibited practices and managing integrity risks require broad awareness of integrity risks and of different tools to address them. OII uses training to raise awareness of integrity risks and build the institutional capacity of public and private actors to respond to integrity challenges by:

- **Increasing awareness of the IDB Group's integrity framework and relevant policies**, as well as the commitment to integrity expected of IDB Group employees, EAs, beneficiaries, private sector entities, and other relevant stakeholders involved in IDB Group-financed activities.
- **Providing tools and best practices to both internal and external audiences** to help them effectively manage integrity risks in IDB Group-financed operations.

In connection with SG operations, OII significantly intensified its efforts to build the capacity of internal IDB teams, EAs, and other external entities to identify and manage integrity risks. This year, it conducted 43 training sessions —29 to EAs and 14 to IDB operational staff in country offices and headquarters. This marks an increase of nearly 80 percent compared to 2022, reflecting a sharp increase in demand from

IDB project teams seeking to raise awareness of the IDB's integrity requirements in implementation units, particularly for new programs. In addition to raising awareness about the obligation to report suspected prohibited practices and the IDB Group Sanctions Process, OII strengthens the capacity of EA personnel to identify integrity red flags during the evaluation of bids, including indicators related to financial misrepresentations by bidders.

In parallel, OII also sought to build the capacity of project teams and Executing Agencies to manage integrity risks in particular cross-cutting contexts or specific programs. For example, as part of the initiative with INE, OII piloted a new approach to facilitate the identification of integrity risks in highly complex infrastructure programs, improve the disclosure of relevant risks, and develop mitigation strategies. OII also distributed monthly integrity bulletins to Bank staff to share actionable recommendations on integrity risk management and relevant related updates.

In connection with NSG operations, OII delivered five trainings to IDB Invest officials to increase awareness of IDB Invest's Integrity Framework, educate them on their role in conducting IDD, and enhance their ability to identify integrity risks. The NSG prevention team also participated in three regional forums organized by FMM and the tax authorities of Costa Rica, Peru, and Ecuador. These forums, which brought together regulators and private sector entities, promoted cooperative compliance as a compliance best practice.

In relation to AML/CFT, OII collaborated with the Knowledge, Innovation and Communication Sector (KIC) to develop two AML/CFT training courses that will be delivered in 2024. These courses will increase AML/CFT risk awareness across the Bank and reinforce improvements resulting from the adoption of the AML/CFT Framework.

Outreach

In 2023, OII hosted the Heads of Integrity (HOI) meeting in Colombia, which was attended by the HOIs from the five multilateral development banks (MDBs), plus the European Investment Bank. During the event, the participants visited an ongoing IDB-financed project that showcases how the IDB Group's work positively impacts the modernization of state and administration of justice in the country. This regular meeting allows these institutions to share best practices and strengthen cooperation. In addition, OII participated in the Integrity in Infrastructure Event coordinated by the IDB Sanctions Officer, the Conference of International Investigators, and IDB Invest's Sustainability Week.

To ensure that lessons learned and other integrity-related topics were shared with

relevant internal audiences, OII issued 10 integrity bulletins for the Bank's personnel.

2.6. Key Takeaways and Challenges

In 2023, **OII focused on developing and piloting new products and tools to improve integrity risk management in IDB-Group activities.** These innovative products increase the capacity of public and private sector clients to assess and mitigate integrity risks, thereby delivering greater development impact. These innovations, and the increasing demand for OII's advisory services, suggest a culture that increasingly embraces the management of integrity risks.

The biggest challenge for the Prevention function of OII is finding ways to meet this increasing demand while continuing to deliver on its obligations. In 2024, OII will work to mainstream the use of new approaches across operational sectors and Bank-wide initiatives, as well as seek synergies with other units to multiply the impact of those efforts. OII will continue to generate new knowledge products to strengthen the capacity of the private sector and public institutions.

«The biggest challenge for the Prevention function of OII is finding ways to meet this increasing demand while continuing to deliver on its obligations.»





RESULTS OF INVESTIGATIONS

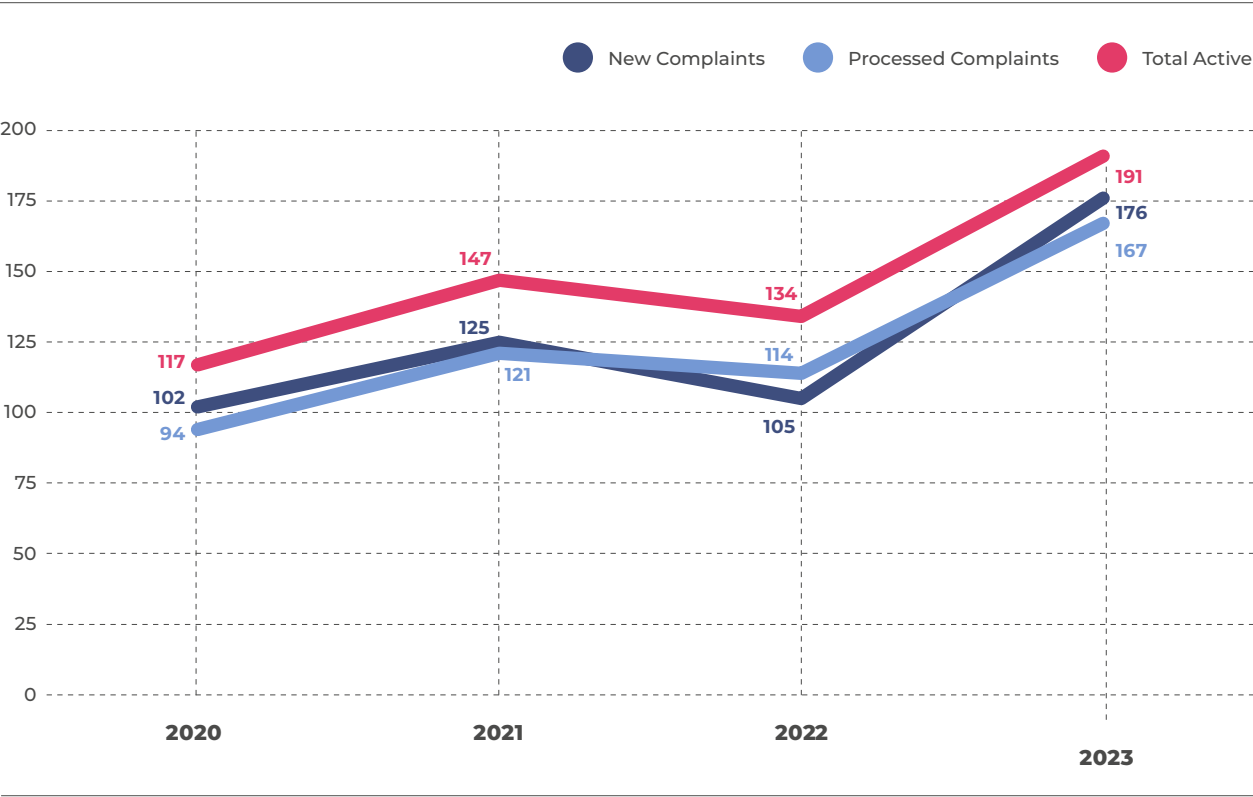
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3.1. Investigation Activities

In 2023, OII received 176 complaints—an unprecedented number representing an increase of 53 percent in total complaints compared to the average number received in the four previous years (see Figure 10). The reasons for this increase are difficult to discern and likely relate to many different factors,

but one apparent factor is OII's training activities with external stakeholders. After OII provided integrity training to EAs in the field—and OII provided significantly more such training in 2023—complaints reported by those EAs increased noticeably. This provides only a partial explanation, however, since the regional distribution of complaints remained generally consistent compared to 2022 (Figure 11).⁵

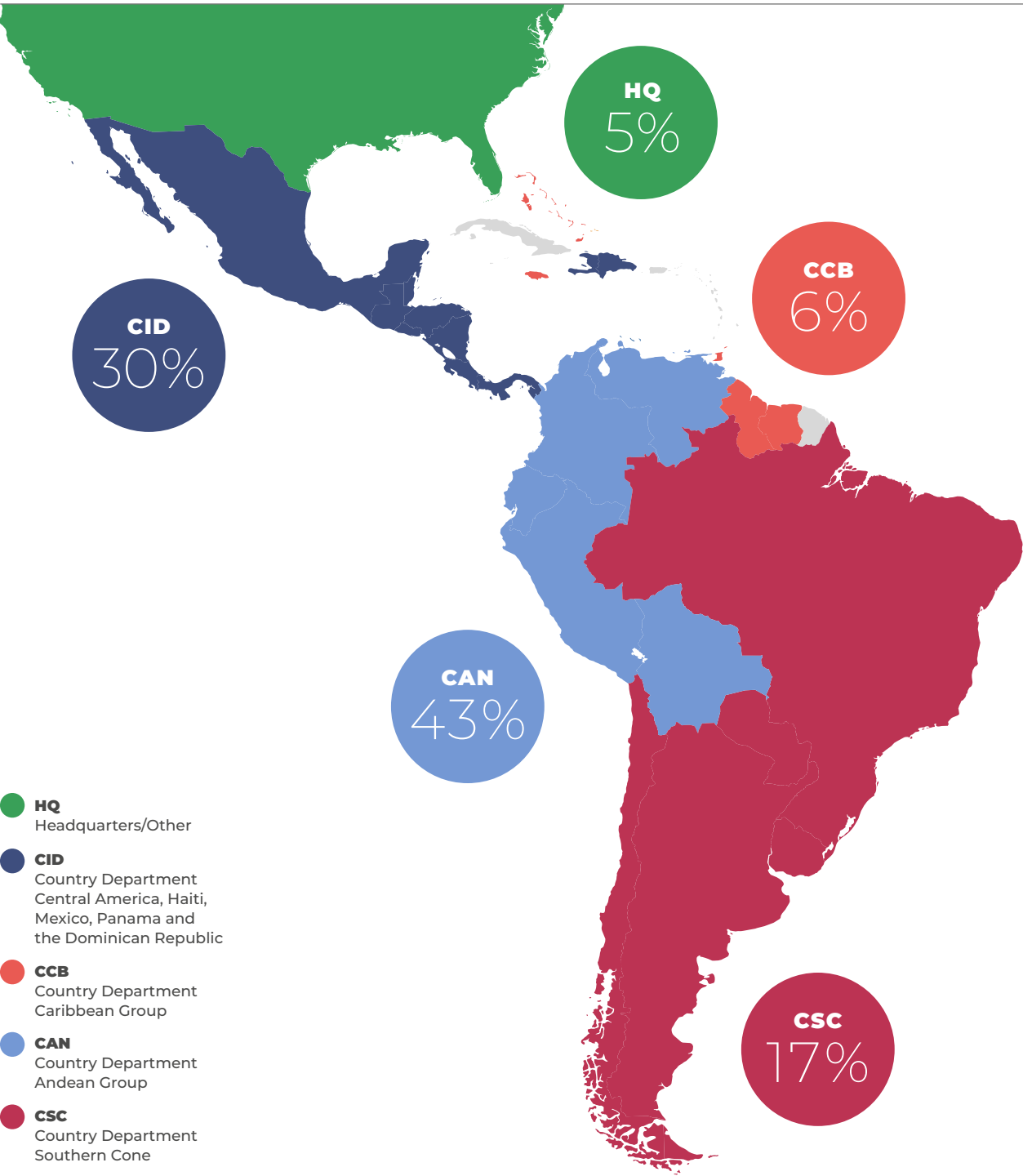
Figure 10 / Total Complaints Received, Active, Processed (2020-2023)



Note: The numbers for 2022 reflect a minor correction made following publication of the 2022 Annual Report.

5. If OII trainings to EAs were the key driver of consultations, it would have resulted in changes to the regional distribution of complaints, since OII's integrity trainings were not distributed evenly across all regions.

Figure 11 / Complaints by IDB Group Region, 2023



Note: Percentages might not add up to 100 percent because of rounding.

Despite the significant increase in workload, OII maintained steady levels of efficiency in processing complaints during the intake phase (**Figure 10 and Figure 12**). As in 2023, only 13 percent of the complaints received last year were carried over to 2024. Notably, 27 percent of all new complaints met the standard for conversion to preliminary investigations, an increase over the 22 percent reported last year, putting it on par with pre-pandemic years (**Figure 12**). The combined increase in overall complaints and in the percentage of complaints that advanced to the next phase means that a relatively large number of preliminary investigations were opened in 2023.

At the end of 2023, OII had 103 open investigations (preliminary and full), and had completed 27. The open investigations include a significant increase in preliminary investigations—52 new preliminary investigations—that correspond to the spike in complaints in 2023, and a relatively high number of investigations (80) carried over from prior years. Despite the overall increase in workload, OII managed to keep the time it takes to process complaints during the intake phase stable and reduce the overall processing time for investigations (**Figure 13**) by 23 percent. Much of this reduction is connected to closing matters that were opened before or during the pandemic, when processing times were generally delayed.

Figure 12 / Percentage of Complaints Closed, Converted, In Process (2020-2023)

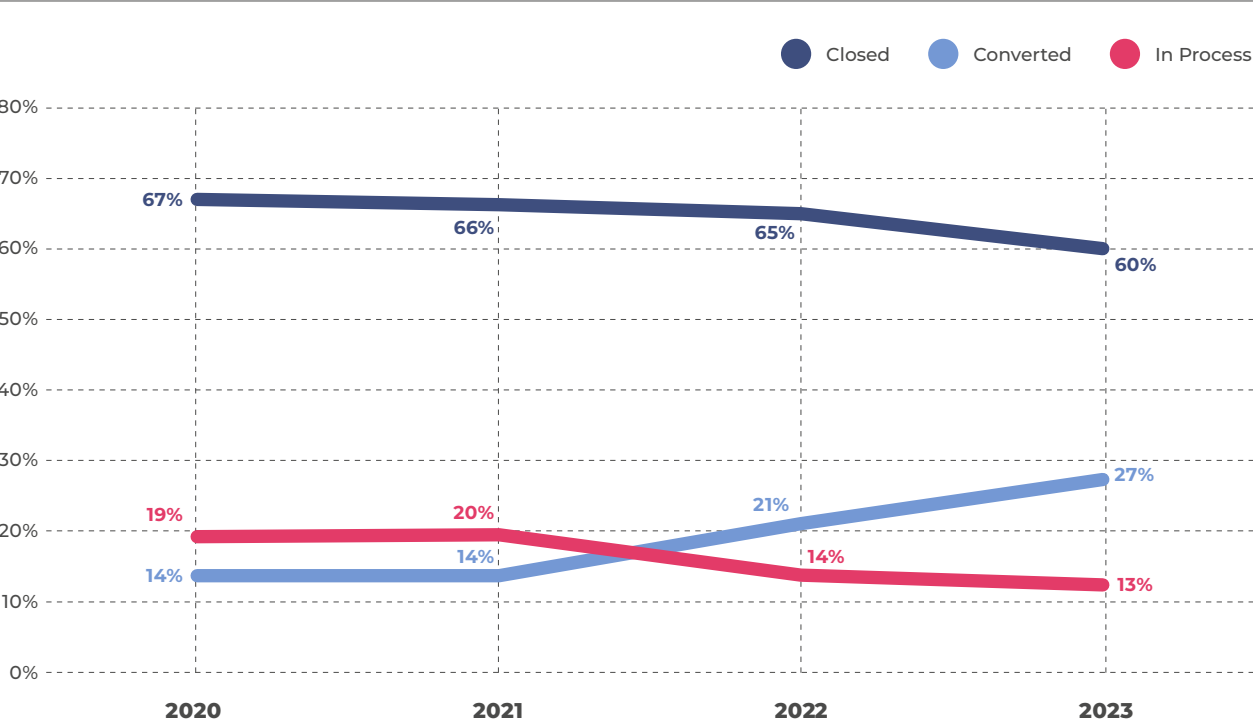
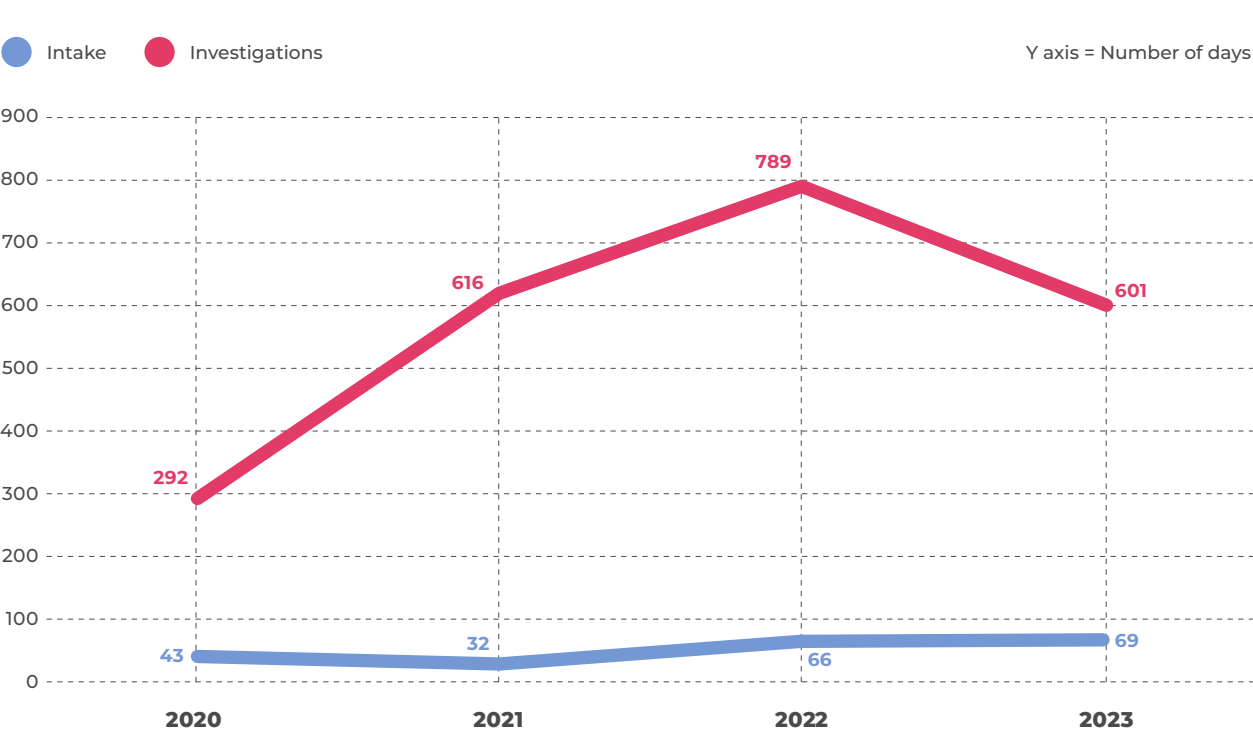


Figure 13 / Processing Times for Complaints and Investigations (2020-2023)



In 2023, the percentage of cases considered high-impact decreased (**Figure 14**). [High-impact cases involve corruption, collusion, significant financial fraud in the execution of a project, or misconduct by EA personnel.] This decrease follows a trend reported last year and enhanced by the increased number of credible complaints, which led to more open investigations. Overall, it suggests a reversion to levels of high-impact cases seen before 2020.⁶ OII will continue to prioritize such cases because they present the highest risk

to development objectives (often across multiple projects) and to the reputation of the IDB Group.

This year, OII substantiated 57 percent of the full investigations it completed, a decrease from previous years and below the historical average of earlier years (**see Figure 15**). One contributing factor to this decrease is the significant number of investigations dating to the pre-pandemic or pandemic era. In these cases, investigative activities were hampered or complicated by restrictions on travel and other circumstances.

6. As noted in the 2022 Annual Report, the percentage of high-impact investigations in 2020 and 2021 were significantly higher than the median and were considered atypical.

Figure 14 / Percentage of Active High-Impact Investigations at Year-End (2020-2023)

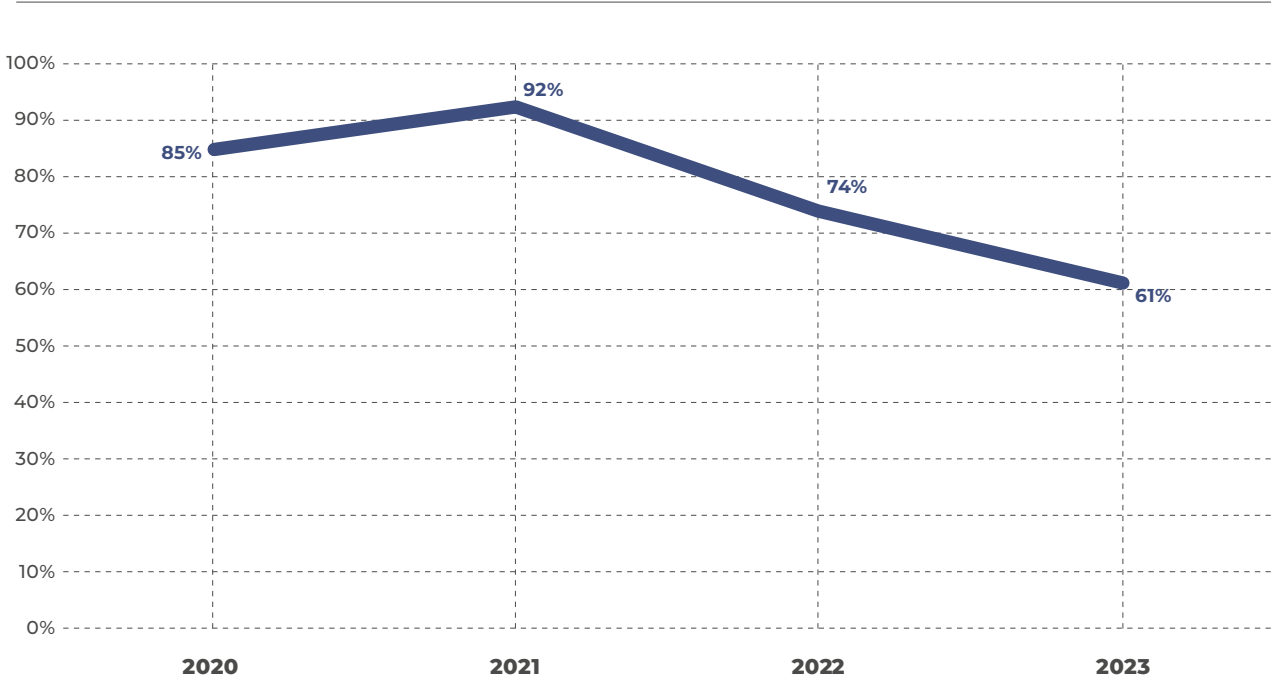
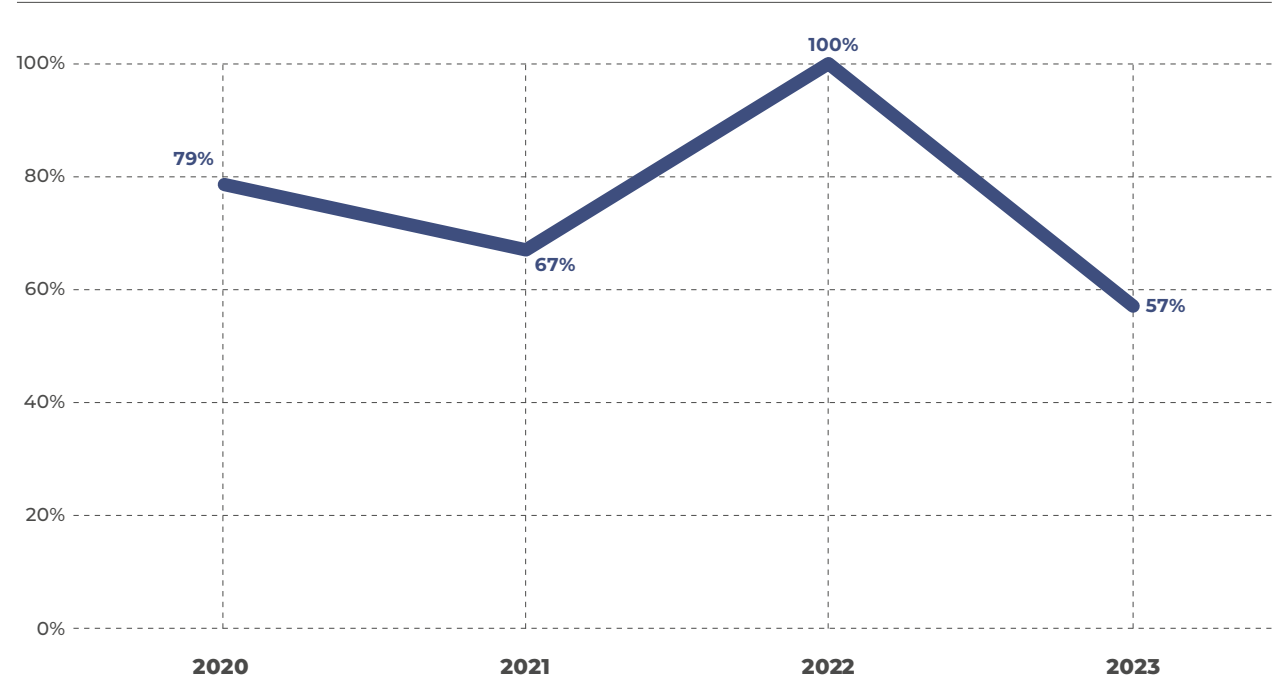


Figure 15 / Percentage of Substantiated Investigations (2020-2023)



CASE STUDY 5 /

Fraud Impacted the Development Goals of a Water and Sanitation Program

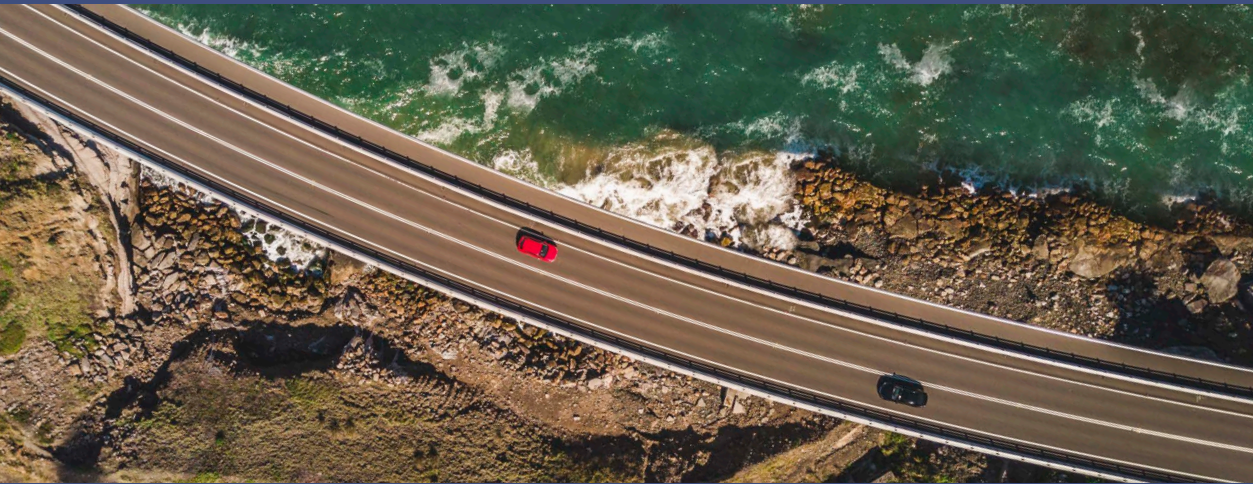
An EA hired a Consortium through a competitive process to improve and expand a coastal city's sewer system for US\$26 million. The project would provide access to potable water and basic sanitation to the community. The contract required the Consortium to provide financial guarantees to ensure that the project objectives would be achieved.

During the contract's execution, the Consortium abandoned the works, forcing the termination of the contract. When the EA sought to call on the guarantees required under the contract, the documentation supporting those guarantees proved to be false. The abandoned and uncompleted works caused harm to the community due to broken streets, abandoned machinery, unpaid local workers, unfinished work fronts and inoperative sewer networks. The unfinished project also increased the likelihood of flooding,

exacerbating the preexisting public health risks due to inadequate sewage systems. The media extensively covered the situation and the Bank's involvement in the program, resulting in harm to the IDB's reputation.

OII conducted an investigation and determined that the Consortium had engaged in a fraudulent practice by presenting the false guarantee and misleading the EA. In the sanction it proposed to the Sanctions Officer, OII considered, as aggravating factors, the magnitude of the economic damages; the reputational harm caused to the Bank; and the harm caused to the community, public health, and the environment. Based on these criteria, the Sanctions Officer debarred the company responsible for the false document and its legal representative for 8 years. OII separately recommended to the project team, as a lesson learned from this matter, that, in the future, the EA should verify documents such as the ones submitted by the Consortium supporting the financial guarantees.

This case highlights the significant impacts that prohibited practices can have on development objectives and the Bank's reputation. It also highlights the application of the investigations and sanctions system, and how looking for lessons learned from investigations can lead to material improvements in integrity risk management.



CASE STUDY 6 /

Collusion Impacted Fair and Free Competition in a Contract for Technical Services

As part of an IDB Group-financed program, an EA launched two public procurement processes for contracts to develop software solutions and technological services. The contracts, for \$4.9 million and \$1.2 million, respectively, were both awarded to a single company (the Company).

OII obtained evidence that the Company had engaged in a collusive practice by entering into an agreement with officials from the EA to improperly steer the selection processes toward the Company. This arrangement allowed the Company to access confidential information about the procurement processes, recommend and obtain changes to the evaluation criteria to benefit their interests, and receive favorable treatment throughout the processes.

The investigation found that the EA's officials and the principal of the Company had engaged in a collusive practice, based on personal relationships among those involved.

While the investigation did not find evidence that the Company engaged in corruption, or that the collusive arrangement negatively affected the objectives of the project, such collusive arrangements in selection processes are nonetheless harmful. They can cause a loss of confidence in IDB-financed programs and discourage honest companies from competing in future programs. Even if the Company delivered good service, the improper arrangement deprived the EA from contracting the best possible competitor under fair terms.

This case highlights the importance of guaranteeing that all parties interested in participating in IDB-financed activities know that the Bank requires strict adherence to the principles of fair and free competition.

OII's investigation was supported by the Internal Control Unit of the EA, which conducted their own investigation and shared evidence and findings with OII. Moreover, the newly appointed director of the implementing unit within the EA gave key assistance to OII's mission in the field, providing supplementary documents as well as access to EA employees to be interviewed by OII. This collaboration is an example of the benefit derived from the integrity network that OII has been developing in the region for years.



Maintaining its practice of collaborating with national and international authorities to support its investigative activities, **OII successfully engaged with at least eight national authorities in eight different countries on active investigations in 2023.**

Despite the challenges described above, OII continued to steadily provide different outputs to the Sanctions System, including submitting Statement of Charges and Evidence (SOCs), replying to appeals, participating in appeals hearings, and submitting requests for temporary suspensions. During 2023, OII also submitted a request for a negotiated resolution and engaged in the negotiation of four Negotiated Resolution Agreements (NRAs).

3.2. Key Takeaways and Challenges

In 2023, OII's investigative team was affected by two key factors: (i) staff turnover, and (ii) a spike in complaints received by OII, which required pulling resources into the intake team to process the complaints. Both factors contributed to a slowdown in the completion of investigations. Despite this, the Office managed to process a record number of new complaints without increasing processing times.

Managing the complaints received in 2023 will be a key challenge for the investigations team in 2024. As those complaints move through the later investigative stages (i.e., initial assessment, triage, development, conclusion, submission to the sanctions system, litigation), OII may shift resources among teams to manage the volume and reduce bottlenecks.

In addition, the investigations team will refine the investigative process to make it more efficient. This will include (i) clarifying the purposes and milestones of each of the investigative phases and sharpening the criteria for converting complaints into full investigations, always with emphasis on high-impact cases; and (ii) increasing management oversight of high-impact cases and aging cases.

The investigations team will also build on its robust collaboration with the prevention team, and work to identify risk indicators for current and future IDB Group-financed operations. Through these efforts, OII aims to provide valuable integrity lessons learned to the IDB Group and enforce IDB Group standards regarding prohibited practices.

«The investigations team will also build on its robust collaboration with the prevention team, and work to identify risk indicators for current and future IDB Group-financed operations.»



SANCTIONS
OFFICER,
SANCTIONS
COMMITTEE,
AND ITS
EXECUTIVE
SECRETARIAT

4

The Sanctions System is comprised of two adjudicative levels, the Sanctions Officer (SO) and the Sanctions Committee (SNC), who review the cases prepared by OII as a result of their investigative work (see Figure 16). The cornerstone of the Sanctions System is its independence and impartiality.

The SO is the first-tier decision maker and determines whether there is sufficient evidence to support the allegations that the Respondent engaged in prohibited practices as presented in OII’s Statement of Charges and Evidence (SOC). As part of this process, **the SO reviews the evidence presented by OII, assesses the Respondent’s response and supporting evidence, and may request additional information from OII or the Respondent.**

The SO issues a Determination, and if a Respondent is found to have more likely than not engaged in a prohibited practice, the SO imposes a sanction. Sanctions for uncontested proceedings will enter into effect immediately. In contrast, in contested proceedings—in which a Respondent presents a response to OII’s SOC—the Respondent has the right to appeal the sanction imposed by the SO to the SNC.

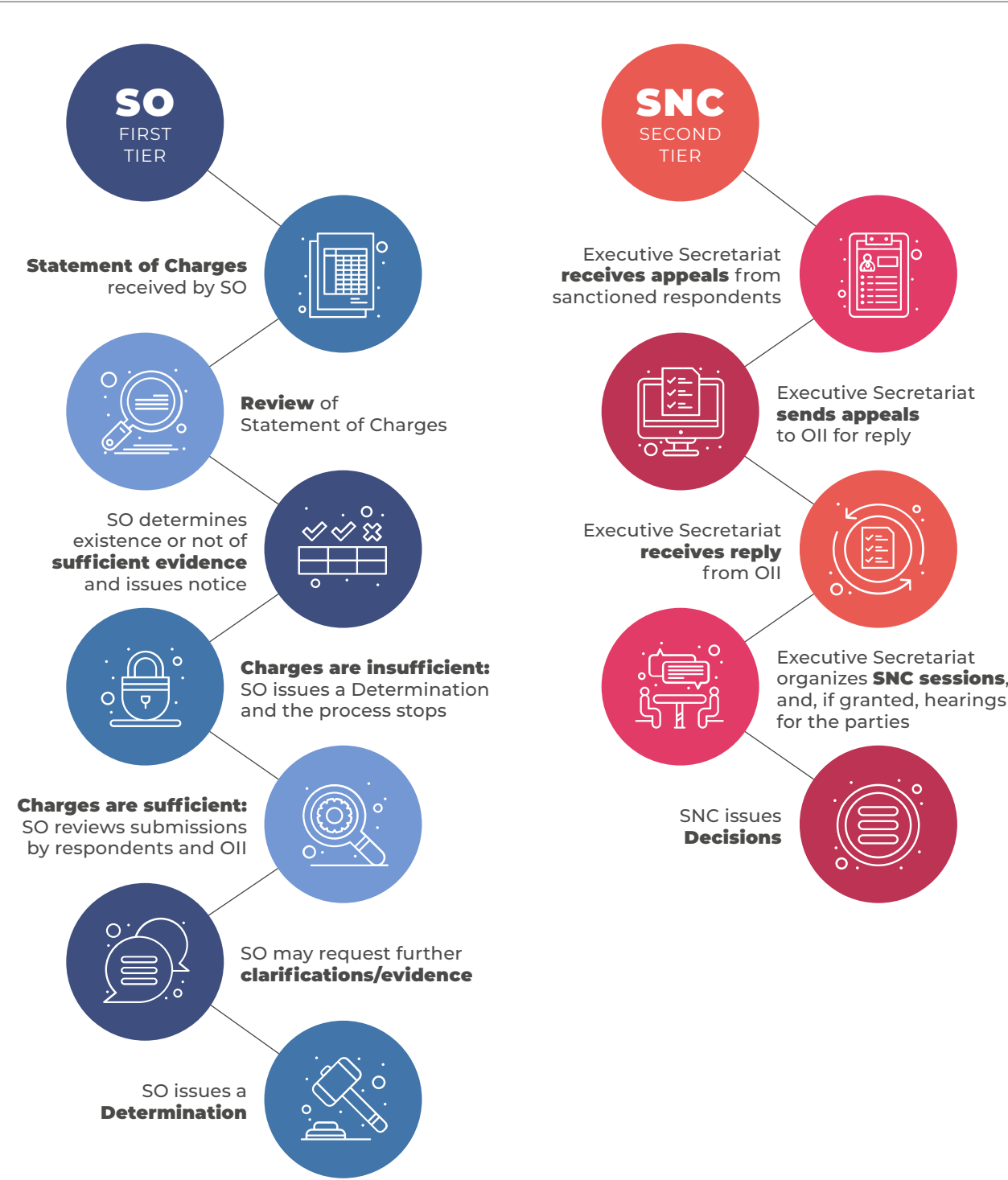
The SNC is the second and final-tier decision maker of the Sanctions System’s adjudication mechanism. An Executive Secretariat assists the Committee in processing appeals. **The SNC adjudicates cases in which Respondents have contested a Determination issued by the SO,** but the sanction imposed by

the SO does not bind the SNC. The SNC reviews the submissions by OII and the Respondents de novo and can hold hearings. The SNC assesses whether it is more likely than not that the Respondent engaged in a prohibited practice, in which case it imposes a sanction. SNC decisions are final and cannot be appealed. The SNC is comprised of members who are both internal and external to the IDB Group.

The Sanctions System is committed to providing Respondents with a robust process for adjudicating their cases. The SO and the SNC prioritize the following practices:

- **Review the written materials** submitted by the Respondents in their language of choice, as long as it is one of the four official languages of the Bank.
- **Follow the Bank’s protocol** for the delivery of notices when issuing service of notice.
- **Provide Respondents an opportunity to present arguments and evidence** in response to OII’s allegations, before the SO or SNC determines whether a sanction is warranted.
- **When the Respondent appeals, provide recourse to the SNC.**

Figure 16 / The Sanctions Process



4.1. Sanctions Officer Outputs

Statements of Charges

In 2023, the SO received four OII submissions (three SOC’s and one NRA eligibility request) and reviewed five SOC’s carried over from previous years. In 2023, there were 18 Respondents implicated in OII’s four submissions.

Notices of Administrative Action (Notices)

The SO reviews the SOC’s and determines whether the charges warrant the initiation of administrative sanctions proceedings. If the SO determines that a Notice should be issued, each Respondent must be notified of the right to participate in the sanctions proceedings and contest the charges.

Notification Process

The SO Notice informs Respondents that sanctions proceedings have been initiated against them. Respondents then have 60 calendar days to submit a response, counted from the date of notification. This procedure ensures that Respondents receive proper notice, have an opportunity to submit a reply, and establish an efficient and effective line of communication with the Office of the SO.

In 2023, the SO issued 18 Notices (compared to 19 Notices in 2022). When the Office of the SO cannot reach the Respondent

through the mail or by courier, the SO publishes “Constructive Notices” on the IDB Group’s Sanctions webpage. In 2023, the SO posted four Notices of that kind (compared to eight in 2022).

Contested Cases and Responses Received

Under the Sanctions Procedures, Respondents may submit responses contesting OII’s SOC’s. The SO then reviews the SOC’s and responses, determines whether additional information is required, and issues a Determination. Such contested cases are appealable to the SNC. In 2023, the SO received seven responses to SOC’s for cases that will be decided in 2024.

Records to File

To make decisions on filed motions, extend procedural deadlines, and account for submitted Determinations, the SO must issue Records to File. In 2023, the SO issued 27 Records to File, compared to 40 in 2022. This reduction can be directly attributed to a decrease in the number of submissions by the Respondents.

Determinations

In 2023, the SO issued 19 Determinations (compared to 62 Determinations in 2022) (see Figure 17). Of the 19 Determinations

issued, 15 were related to SOC’s, one was related to Determinations for Eligibility for NRAs, and 3 were related to release from debarment based on achieving compliance conditions. The SO imposed sanctions in 13 of these Determinations. Of these 13 Determinations with sanctions, two were uncontested and, therefore, final. The remaining 11 were contested and therefore appealable to the Sanctions Committee. Two of these appealable Determinations were not appealed, and the remaining nine have appeal periods that lapse in 2024 (see Figure 18).

The Sanctions System operates cyclically, its volumes moving in waves in response to the number of cases presented by OII. If OII submits a high number of cases in one year, that sets the stage for the volume of cases the SO will resolve in the subsequent year. The number of cases the SO decides, in turn, determines the caseload for the Sanctions Committee in the following year. While the SO cannot predict the number of cases submitted by OII in a given year, peaks and valleys in case numbers can be observed at the SO and Sanctions Committee levels, reflecting the responsive nature of the sanctions process.

Figure 17 / Determinations (2020-2023)

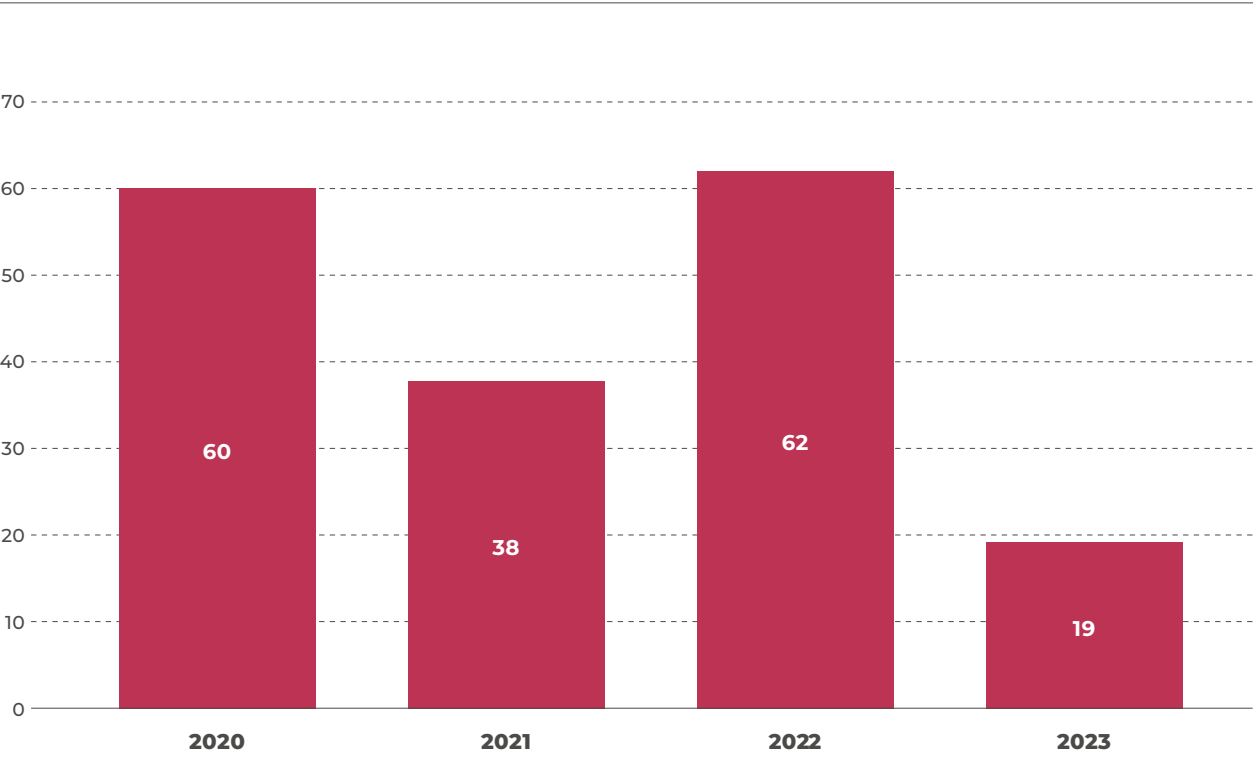
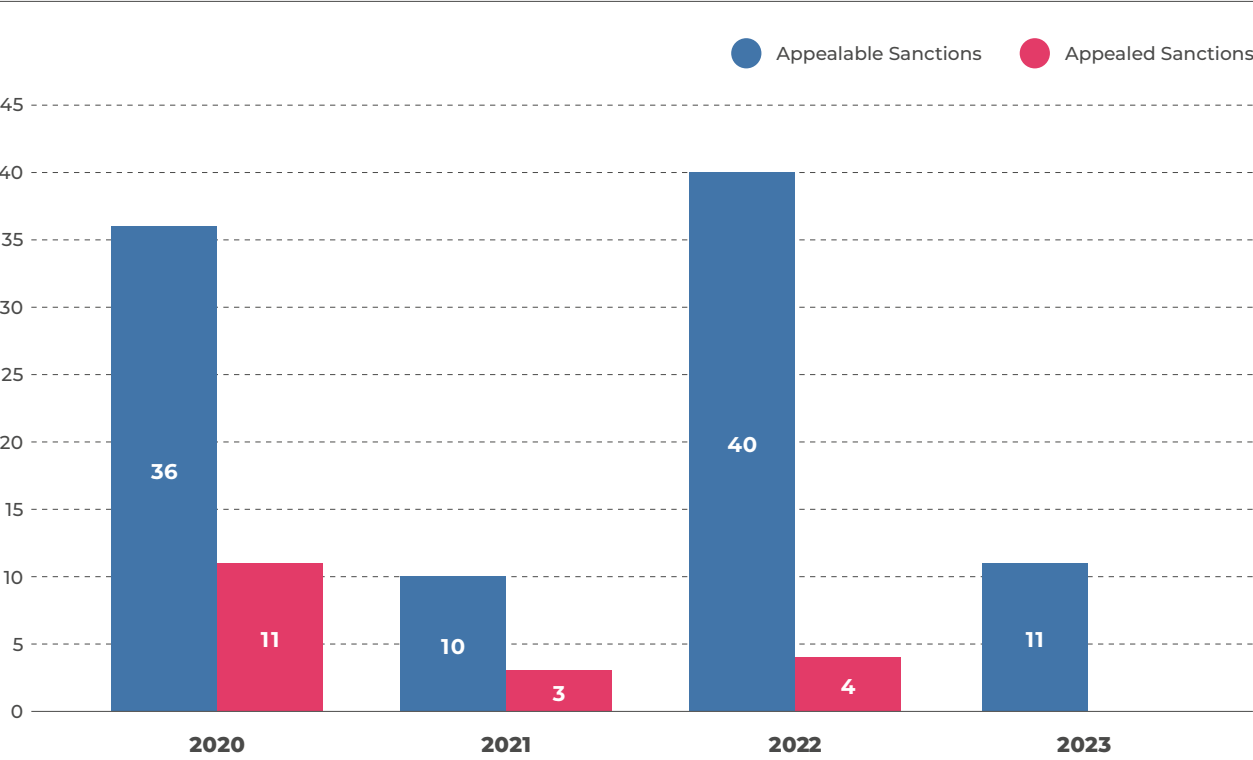


Figure 18 / Appealed Sanctions (2020-2023)



Sanctions Imposed

Table 4 summarizes the 13 sanctions imposed by the SO in 2023 by type of prohibited practice.

Of the sanctions mentioned above, there were four conditional non-debarments and nine debarments, as illustrated in **Figure 19**. In total, two of the sanctions imposed in 2023—and that became effective that same year—met the criteria of the Agreement on Mutual Enforcement of Debarment Decisions (Cross-Debarment Agreement) and were notified by OII for cross-debarment by the participating MDBs.

Table 4 / Type of Prohibited Practices

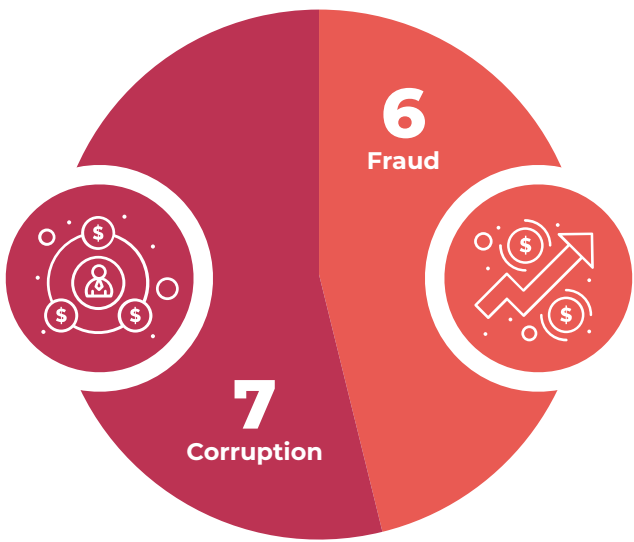
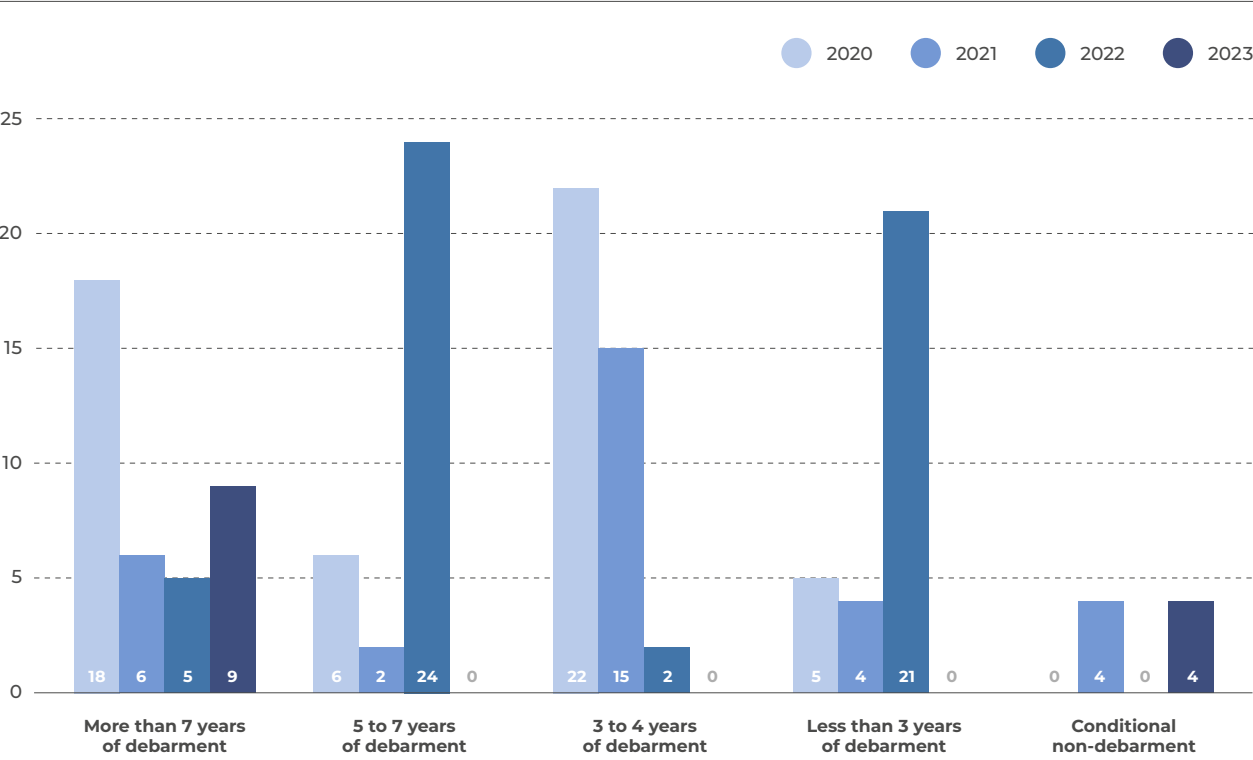


Figure 19 / Distribution of SO Sanctions (2020-2023)



Compliance

In 2023, the Office of the SO oversaw compliance programs, monitorship proposals, and implementation by sanctioned Respondents subject to conditional non-debarments or debarments with conditional release. The SO verified that these programs comply with the conditions established in the Determinations for release from the imposed sanction at the end of the established term. The sanctioned Respondents ranged from local small and medium enterprises (SMEs) to multinational corporations. Compliance programs must be adapted to their specific business models.

The SO oversees the integrity compliance programs and other conditions imposed on entities entering NRAs with OII or resulting from sanctions imposed by the SO of the type mentioned in the paragraph above. The responsibilities of the SO include evaluating compliance programs in differing stages of implementation, and collaborating with national authorities and other MDBs when the sanctioned firms enter multi-jurisdictional monitorships in negotiated settlement agreements. During 2023, the SO concluded that three Respondents had met the conditions for release from sanctions, including the effective implementation of a compliance program, thus ending the SO’s supervision.

By the end of 2023, the SO was overseeing the implementation of nine compliance programs and other conditions, including the process for a voluntary contribution.

Response Time

In 2023, the average processing time for the SO to review a case and issue Determinations was 248 days. This is consistent with the average of 254 days in 2022, and reflects a continuation of the reduction from an average of 392 days in 2021.

Outreach and Events

In 2023, the Office of the Sanctions Officer played a pivotal role in advancing integrity and transparency at the IDB, notably through the Integrity in Infrastructure Projects workshop. This landmark event constitutes the first collaborative effort of operational Bank divisions —INE, ICS, FMP, and IDB Invest— as well as OII and the Office of the Sanctions Officer to jointly address integrity risks. The workshop brought in outside experts, private sector stakeholders, and representatives of other MDBs to facilitate a dialogue around a holistic approach to integrity in infrastructure. In addition to establishing this dialogue, the event marked the launch of the ICS TIPS initiative, dedicated to mitigating integrity risks across the infrastructure project cycle by setting forth institutional, legal, and financial standards for all pertinent stakeholders.

Additionally, the Sanctions Officer led the MDBs' Sanctions First-Tier annual meeting at

the Organization for Economic Cooperation and Development (OECD), participated at the International Bar Association and C5's Anti-Corruption conferences, and engaged in capacity building at the U.S. State Department's Humphrey Fellowship Program and the American Bar Association's Rule of Law Initiative (ABA ROLI) conference for Peru's Superior Court of Justice.

4.2. Key Takeaways and Challenges (SO)

The number of respondents in cases submitted by the OII dropped in 2023, leading to fewer overall cases. Despite this decrease, the complexity of the cases remained consistent with the high levels of the previous years. This continued complexity underscores the intricate nature of the issues addressed and the meticulous scrutiny required in each case.

The number of compliance programs overseen by the SO increased in 2023, as did the work of determining whether companies had met their compliance obligations. This growing area of work reflects the sustained commitment —in Determinations by the SO as well as in NRAs agreed upon with OII— to ensuring that companies adhere to rigorous compliance standards. The heightened activity in compliance monitoring is a testament to the ongoing efforts across the Sanctions System to promote clean business practices and integrity within the development marketplace.

Looking ahead, the SO will maintain its commitment to operational excellence.

The focus will be on the following two primary objectives:

- **Sustained monitoring of the efficiencies across different stages of the sanctions process will remain a priority.** The aim is to continuously improve the timeliness and responsiveness of each cycle, thereby enhancing the overall effectiveness of the sanctions proceedings.

- **Building upon the outreach initiatives from 2023, especially the momentum gained from the "Transparency in Infrastructure" workshop, will be crucial.** The SO plans to extend its outreach efforts to a broader array of companies engaged in development work within the region. These efforts aim to foster a more robust culture of integrity and transparency in development work.

CASE STUDY 7 /

Conditional Non-Debarment of a Small Enterprise: Balancing Accountability and Rehabilitation

In the aftermath of a natural disaster, an EA launched a national competitive bidding for the reconstruction of electricity infrastructure (the Program) which was critical for the affected areas. OII presented charges against a firm (the Respondent) participating in this process, accusing it of submitting a fraudulent letter misrepresenting equipment availability to meet the bidding requirements.

The SO issued a Notice of Administrative Action to the firm, who denied the allegations. After examining the evidence and considering the Respondent's defense, the SO concluded that the firm was more likely than not to have engaged in fraudulent practices.

The resulting sanction reflected the nuanced approach taken when making such determinations. The Respondent was not debarred,

but the SO imposed a conditional non-debarment. Accordingly, the firm could continue to be involved in IDB Group-financed operations provided it showed it was taking corrective steps, e.g., by ensuring that employees underwent corporate integrity and business ethics trainings.

To determine this sanction, the SO factored in specific mitigating circumstances. First, while the Respondent's actions were fraudulent, they did not affect the performance of the contract or the overall implementation of the Program. Second, there was no evidence that the Respondent's actions caused any damage to parties involved in or benefiting from the Program.

This resolution reflects a balanced approach, penalizing the wrongdoing, requiring that the Respondent improve its practices, and allowing it the opportunity to contribute positively to other programs. It underscores the importance of both addressing misconduct and encouraging corrective action and education in business ethics. This case serves as a reminder of the significance of integrity in public procurement and the intricate considerations involved in sanctioning entities within such frameworks.

The SO's approach is twofold: refining internal processes to better handle the intricacies of complex cases, and expanding external engagement to instill a deeper understanding of and commitment to integrity and compliance within the private sector. Through these endeavors, the SO strives to contribute positively to the development marketplace, ensuring that clean business principles are upheld and that the region continues to benefit from practices free of prohibited conduct.

4.3. Sanctions Committee Activities

In 2023, the Sanctions Committee continued delivering on its mission: **deciding cases efficiently, with independence and in adherence to international adjudication standards.** The Committee issued 35 Decisions, a record-breaking number that constitutes an increase of 169 percent in the number of Decisions issued, compared

TABLE 5 / CLARIFYING NOTE
Cases, Respondents, and Parties Subject to Sanction

This note clarifies the meaning of several related terms used in this report, some of which are reported as metrics. OII investigates and submits “cases” to the SO, which correspond to a set of facts that provide evidence of prohibited practices in an IDB Group-financed activity. One case can have multiple “Respondents”—OII names as Respondents all individuals or companies that it concludes participated directly in the prohibited practice and that are subject to the Sanctions Procedures.

The “Parties Subject to Sanction,” however, may extend beyond those Respondents to encompass individuals or entities found to be controlled by a Respondent, to control a Respondent, or to be under common ownership or control with a Respondent.

Such extensions of sanction are governed by Section 8.3 of the Sanctions Procedures

and are intended to prevent the evasion of sanctions by Respondents through entities or individuals that are under common control with the Respondent. Without these extensions, debarred individuals or entities could continue to participate in IDB Group-financed activities despite their debarment through various means, e.g., by moving financial or physical assets from a debarred entity to a non-debarred entity under common control.

Each Respondent and each Party Subject to Sanction receives a separate Determination or Decision by the SO or SNC, respectively. Accordingly, if a single case has many Respondents, and/or a Respondent has many subsidiaries or affiliates under common control, it can result in a large number of Determinations by the SO and Decisions by the Committee.

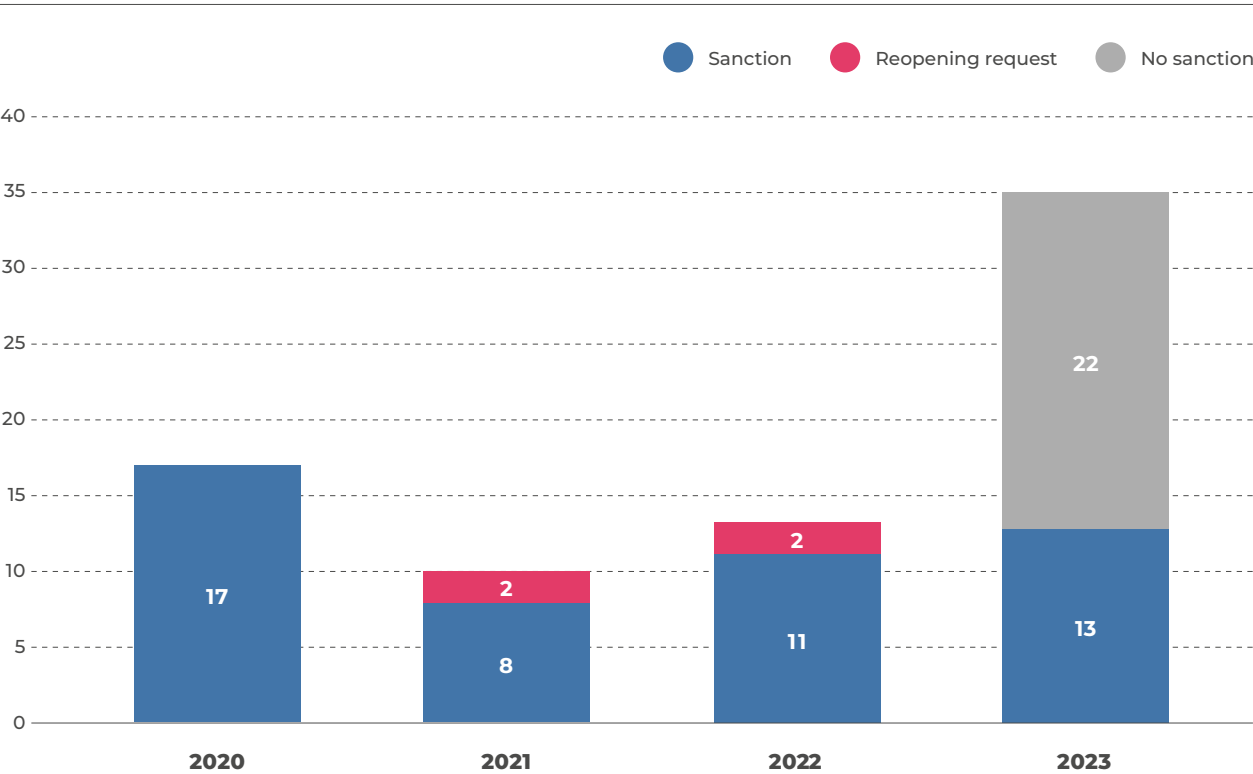
to the outputs of 2022.⁷ These 35 Decisions derived from 6 cases, involving IDB Group-financed projects in 4 countries and Respondents from 11 countries.

In 2023, 13 out of 35 decisions resulted in sanctions and 22 sanctions were rejected. The record number of rejected sanctions (see Figure 20) resulted almost entirely from the application of “derived responsibility” in two cases. In the first, the Committee did not find a fraudulent

practice by the Respondent, and dismissed the case against the Respondent, which automatically caused the dismissal of sanctions against the 17 affiliates controlled by the Respondent.

In the second case, the Committee found sufficient evidence to support a finding of fraud and corruption against all Respondents, but dismissed the extension of the imposed sanction to two individuals and two entities.

Figure 20 / Sanctions Committee’s Decisions (2020-2023)



7. The 169 percent increase is based on comparing the 13 Decisions issued by the Committee in 2022 with the 35 Decisions rendered in 2023, and results from a higher number of appeals received by the SNC during this period.

When compared to 2022, the number of sanctions imposed in 2023 increased by 18 percent. Out of the 13 Decisions that imposed sanctions this year, 12 were debarments, and 1 sanction was a reprimand letter. **Figure 21** presents the distribution of Sanctions Committee Decisions from 2020 to 2023. This data underscores the Committee's vigilance and commitment to addressing various prohibited practices within the IDB Group-financed projects.

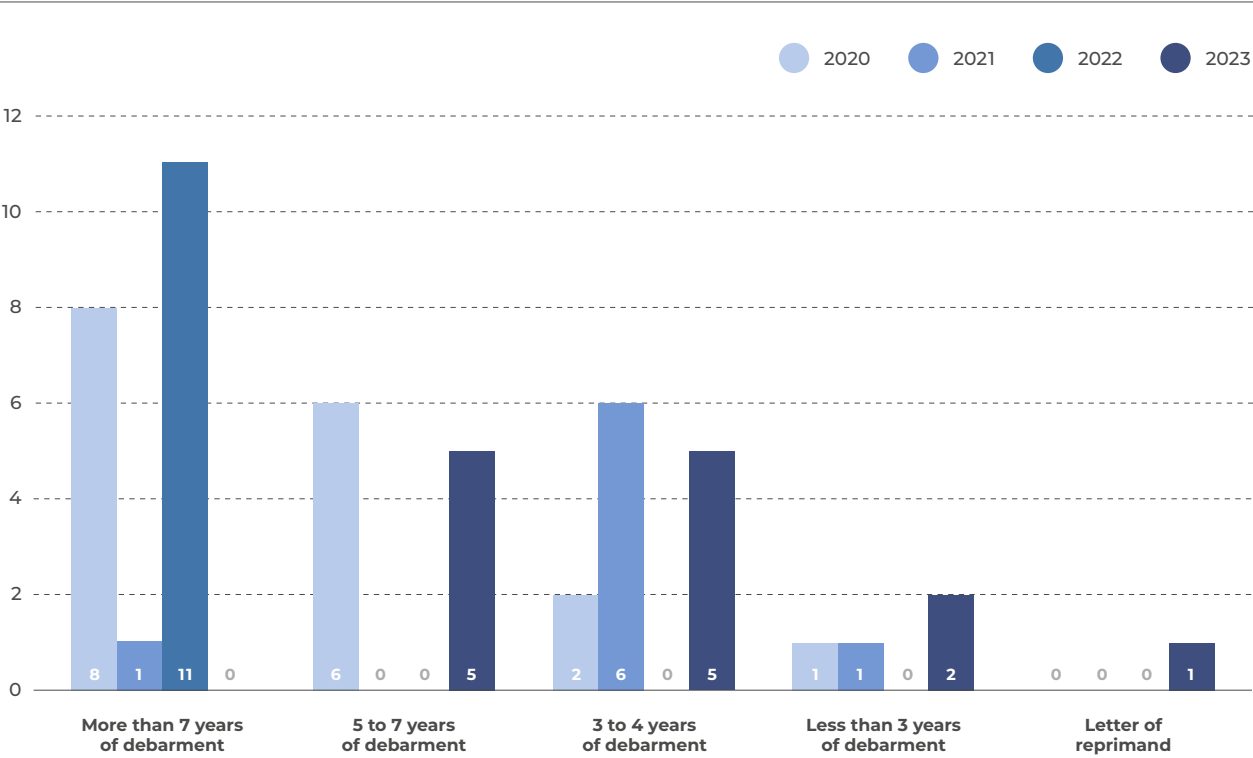
Performance indicators

The Committee's commitment to timeliness and effective case management was

reflected through internal processes improvements. The Committee demonstrated notable efficiency in delivering timely Decisions in 2023. All cases received by the Committee in 2023 were resolved by Nov. 1, 2023, and all cases pending from previous years were concluded in the first semester of 2023.

The processing time, measured from the date of OII's reply to the date of the Committee's Decision, marked a significant achievement at 245 days—a remarkable reduction of 249 days compared to the 494-day average time in 2022. This surpassed the Committee's original target and represents

Figure 21 / Distribution of Sanctions imposed by the Committee (2020-2023)



a notable accomplishment in streamlining processes, particularly considering the growing complexity of cases and the increasing use of sophisticated legal counsel from international law firms by Respondents.

The Committee conducted proceedings and issued decisions in English, Spanish and, for the first time, in Portuguese.

Membership of the Committee

During 2023, a new Vice-Chairperson and a new internal member were appointed by the President of the Bank to replace two outgoing members who had successfully concluded their terms of service. The present composition of the Committee is detailed in **Table 6**.

Table 6 / Current Composition of the Sanctions Committee

Name	First Term	Second Term (if applicable)
Ms. Adriana Dantas Chairperson and External Member	Jan. 2021 – Dec. 2025	—
Mr. Juan Carlos de la Hoz* Vice-Chairperson and Internal Member	June 2023 – June 2026	—
Mr. John A. Detzner External Member	Jan. 2011 – Dec. 2015	Jan. 2020 – Dec. 2024
Mr. Don Scott De Amicis External Member	May 2015 – April 2020	May 2020 – April 2025
Mrs. Geovana Acosta Internal Member	July 2019 – July 2022	Extended for a second term
Mrs. Carolyn Robert** Internal Member	June 2023 – June 2026	—
Mr. Gavin Lee Parrish External Member	Jan. 2021 – Dec. 2025	—
Mr. Jorge Pacheco Klein Alternate Internal Member	Nov. 2022 – Nov. 2025	—

(*) Mr. Juan Carlos de la Hoz replaced Mr. Roberto Manrique as Vice-Chairperson (June 2023)
(**) Mrs. Carolyn Robert was appointed in replacement of Mrs. María Camila Uribe Sánchez (June 2023)

CASE STUDY 8 /

Debarment of a Multinational Firm and Individual Involved in Collusive Practice



The Sanctions Committee sanctioned two respondents —a firm and an individual— for collusive practices related to an IDB-financed project for public sector payroll management in one member country.

Based on the evidence reviewed, the Sanctions Committee determined that it was more likely than not that the Respondent firm and the individual Respondent had engaged in a collusive practice by exchanging communications with public officials to manipulate procurement processes.

The Committee outlined 3 criteria for assessing the appropriateness of these communications:

- 1. The content of the communications.
- 2. The moment when the communications took place and their frequency.
- 3. The channels employed for these communications.

Among other factors, the Committee was not persuaded by the Respondents’ allegations that those communications adhered to local business practices and that the termination of the contract by the EA was politically motivated due to the change of the agency’s head. However, the Committee verified that the change in the head of the EA did not impact the termination, as the same individual held the position both at the time of contract signing and termination.

The Sanctions Committee issued sanctions against those two Respondents, debarring them from participating in IDB Group-financed projects for 1 year. In reaching this Determination, the Committee considered the cooperation of the Respondent Firm, which facilitated access to the exchange of communications and aided in clarifying the case.

CASE STUDY 9 /

Extension of Sanctions under Section 8.3



As described in Table 5, Section 8.3 of the Sanctions Procedures allows the extension of sanctions to entities and individuals that control a sanctioned Respondent, are controlled by a sanctioned Respondent, or that are under common ownership or control with a sanctioned Respondent. In 2023, the Sanctions Committee applied Section 8.3 to extend to additional parties a sanction issued against a

primary Respondent for fraudulent and corrupt practices related to an IDB-financed project for tourism development in one member country. The Sanctions Committee extended this sanction to three additional parties, but did not extend the sanction to four other parties potentially subject to sanction, based on an assessment of criteria specified in Section 8.3.

4.4. Key Takeaways and Challenges (Sanctions Committee)

In 2023, the Sanctions Committee achieved heightened efficiency and a record number of Decisions.

In 2024, the Sanctions Committee will continue to strengthen its internal capacity to process cases efficiently, building upon the successful results of 2023. The Committee will also focus on structuring and organizing its procedures and jurisprudence to provide greater predictability to various stakeholders.

4.5. Activities of the Executive Secretariat of the Sanctions Committee

In 2023, the Executive Secretariat continued to support the Sanctions Committee in the delivery of its mission and the achievement of its goals, as described above.

In particular, the Executive Secretariat facilitated prompt and reliable communication in complex cases, and provided better access to case records, reducing administrative burdens for participants. In line with the digital transformation initiative, the Executive Secretariat successfully digitized 100 percent of the Committee’s past case records in an effort to maximize interactions through digital case management. This digitization initiative is secured through the use of the Bank’s systems, ensuring a protected

platform that aligns with our commitment to providing a secure repository for sensitive information.

Cross-Debarment Decisions

Out of the 12 sanctions of debarment issued by the Sanctions Committee, 10 met the criteria for cross-debarment and were promptly communicated to the other MDBs by OII. This aligns with the existing Cross-Debarment Agreement.

List of Sanctioned Firms and Individuals

The Executive Secretariat maintains a regularly updated public webpage with the list of sanctioned firms and individuals. In 2023, the Executive Secretariat published 20 sanctions imposed by the IDB Group Sanctions System. Among those, 13 were issued by the Sanctions Committee and 7 by the Sanctions Officer. Additionally, the Executive Secretariat made public 49 debarment sanctions imposed by other MDBs and recognized by the IDB Group pursuant to the Cross-Debarment Agreement. For a detailed list of entities and individuals sanctioned in 2023 by the IDB Group, please refer to Appendix II.

In addition, the Executive Secretariat publishes on its website an anonymized synopsis of the cases considered by the Sanctions Committee. These synopses follow the format approved by the Bank’s Anti-Corruption Policy Committee (ACPC) in 2018.



APPENDIX

APPENDIX I

Prohibited Practices

Corrupt Practice

A “Corrupt Practice” is the offering, giving, receiving, or soliciting, directly or indirectly, anything of value to improperly influence the actions of another party.

Fraudulent Practice

A “Fraudulent Practice” is any act or omission, including a misrepresentation, that knowingly or recklessly misleads, or attempts to mislead, a party to obtain a financial or other benefit or to avoid an obligation.

Coercive Practice

A “Coercive Practice” is impairing or harming, or threatening to impair or harm, directly or indirectly, any party or the property of a party to improperly influence the actions of a party.

Collusive Practice

A “Collusive Practice” is an arrangement between two or more parties designed to achieve an improper purpose, including improperly influencing the actions of a party.

Obstructive Practice

An “Obstructive Practice” is (i) destroying, falsifying, altering, or concealing of evidence material to an IDB Group investigation, or making false statements to investigators with the intent to impede an IDB Group investigation; (ii) threatening, harassing, or intimidating any party to prevent it from disclosing its knowledge of matters relevant to an IDB Group investigation or from pursuing the investigation; or (iii) acts intended to impede the exercise of the IDB Group’s contractual rights of audit or inspection or access to information.

Misappropriation

“Misappropriation” is the use of IDB Group financing or resources for an improper or unauthorized purpose, committed either intentionally or through reckless disregard.

APPENDIX II

Use of Resources

Use of Resources/Efficiency

In 2023, OII continued to respond to the increased demand for its services with an unchanged level of labor force, demonstrating a high level of efficiency (see Figure 22).⁸ OII fully utilized its budgeted resources, and continued to provide support to IDB Invest and IDB Lab through Service Level Agreements with each.

In 2023, the Office of the SO decreased its labor force. The number of outputs

decreased to the same levels in 2021. However, the year ended with no backlog for 2024.⁹ The Office of the SO’s caseload and corresponding outputs are driven by the number of sanction cases submitted by OII in a given year. Compliance Oversight products, the number of submissions by Respondents and Monitors, and the number of interactions to assess the quality of compliance actions taken by the parties continue to grow steadily in volume and complexity (see Figure 23).

8. OII’s products are defined as follows: for Prevention, the number of SG and NSG consultations, risk analyses, and trainings to internal and external parties; and for Investigations, completed or closed cases, closed matters, and submissions to the SO. Workforce is measured by the Full-Time Equivalent (FTE) of personnel (staff or consultants) devoted specifically to these products.

9. The SO products include actions taken concerning Compliance Oversight and Case Synopses for publication, and outreach, as well as all other products related to sanctions cases such as Determinations, Records to File, and Notices.

Figure 22 / Oil's Efficiency. Products/Year vs. FTEs (2020-2023)

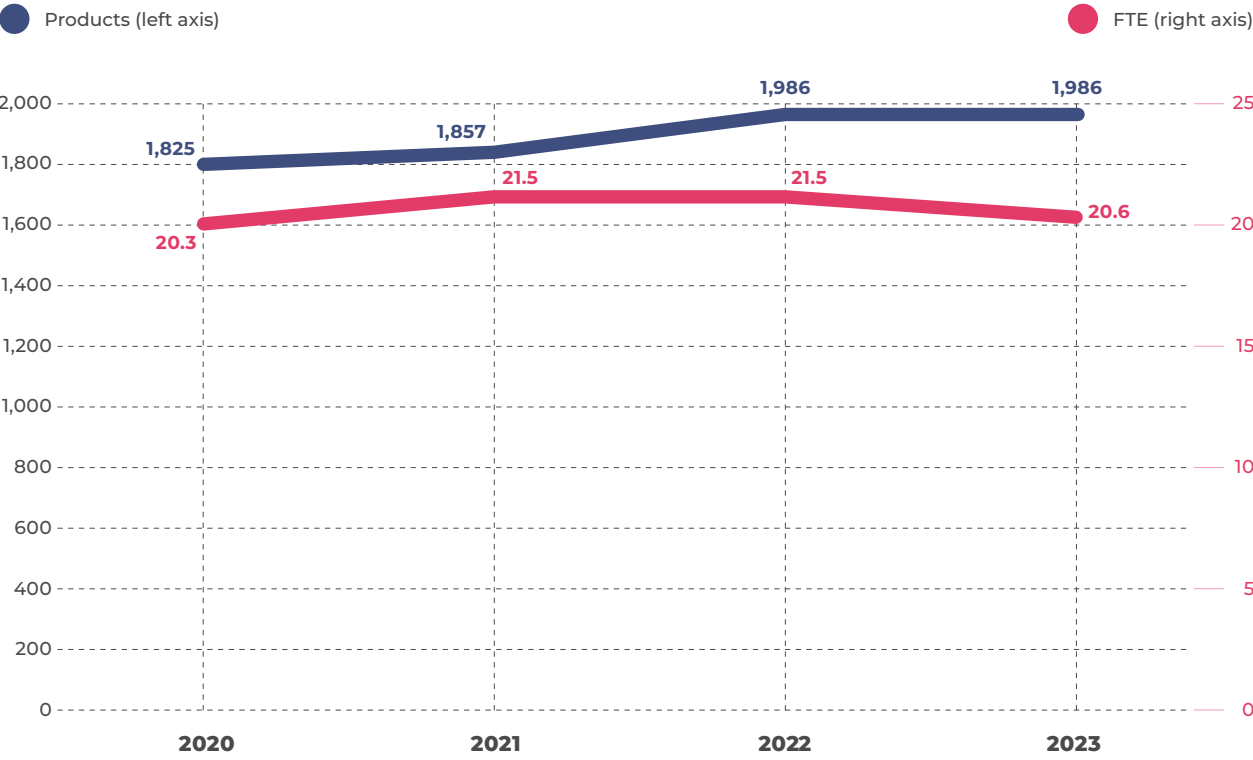
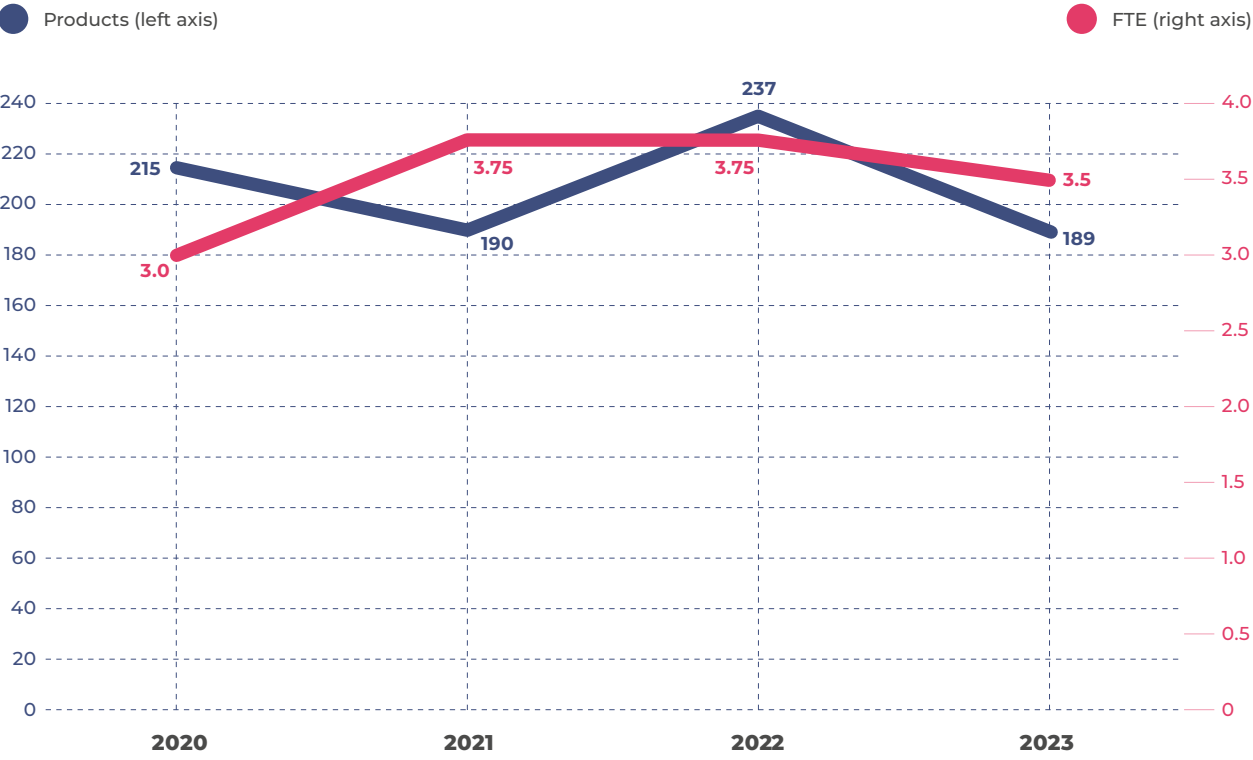
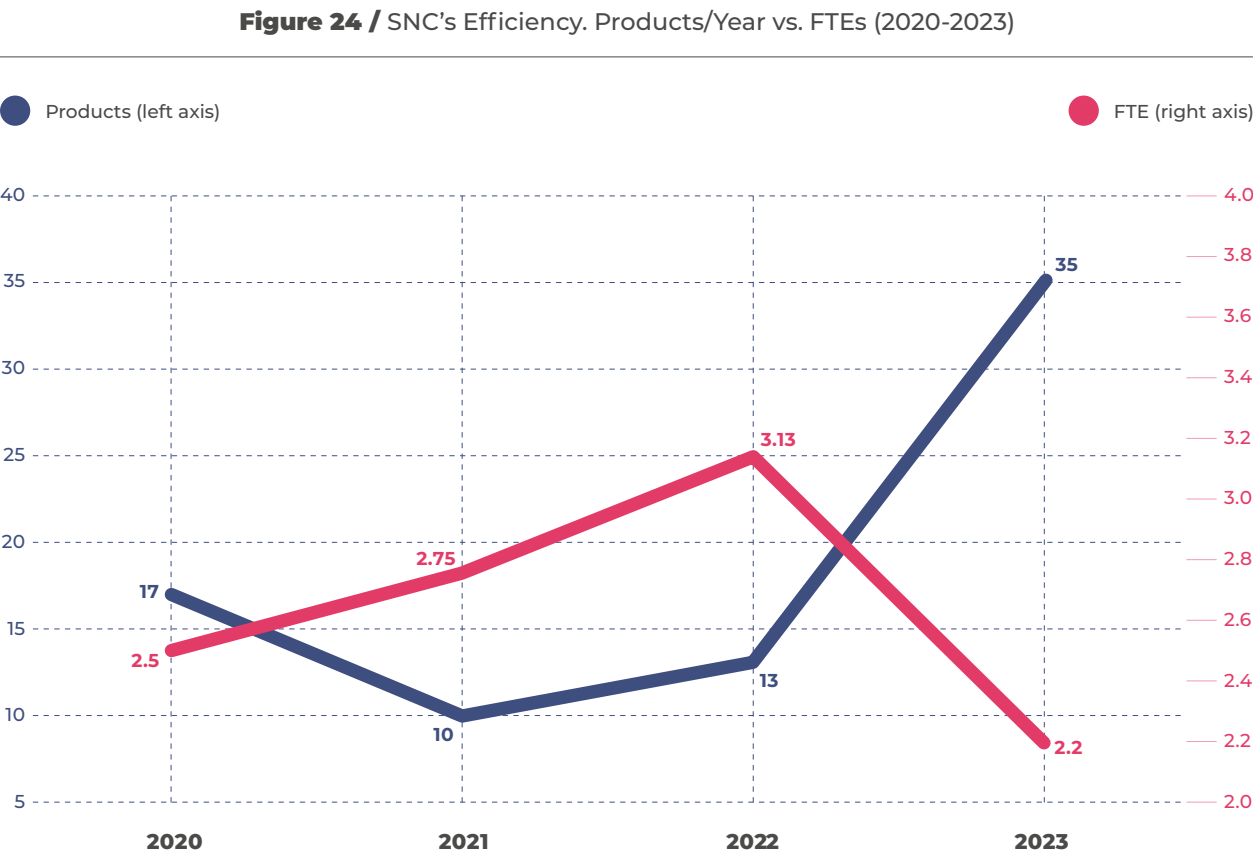


Figure 23 / SO's Efficiency. Products/Year vs. FTEs (2020-2023)





APPENDIX III

Entities and Individuals Sanctioned in 2023

	Name	Entity Type	Nationality	Country Project	Ineligible from	Ineligible to	Grounds
01	Albert Alejandro Ortiz Rincón	Individual	Colombia	Colombia	31-Aug-23	31-Aug-31	Fraud
02	Frederico De Oliveira Rosa	Individual	Brazil	Brazil	31-Oct-23	30-Oct-29	Fraud
03	Juan Pablo Haddad	Individual	Argentina	Argentina	3-Jan-23	2-Jan-28	Collusion
04	Lícita Distribuidora Comércio E Serviços Eireli	Firm	Brazil	Brazil	31-Oct-23	30-Oct-29	Fraud
05	Luis Marcelo Rojano	Individual	Argentina	Argentina	3-Jan-23	2-Jan-30	Fraud/Collusion
06	MAFAP S.A.	Firm	Argentina	Argentina	3-Jan-23	2-Jan-30	Fraud/Collusion
07	Proyectos de Ingeniería y Servicios para el Medio Ambiente S.A.S.	Firm	Colombia	Colombia	31-Aug-23	31-Aug-31	Fraud
08	Alberto Esteve Aparisi	Individual	Spain	Colombia	12-Jan-23	11-Jan-26	Fraud
09	Aqua Ril S.A.C.	Firm	Peru	Peru	30-Jun-23	29-Jan-26	Fraud
10	DINAJU S.A.	Firm	Costa Rica	Costa Rica	31-Mar-23	30-Mar-26	Fraud
11	F.I. Comércio em Geral Eireli ("F.I. COMÉRCIO")	Firm	Brazil	Brazil	31-Oct-23	30-Oct-29	Corruption/Fraud
12	Farad dos Santos Mercês ("FARAD MERCÊS")	Individual	Brazil	Brazil	31-Oct-23	30-Oct-29	Corruption/Fraud
13	Futura Climatização Distribuidora Comércio e Serviços Ltda. ("FUTURA CLIMATIZAÇÃO")	Firm	Brazil	Brazil	1-Nov-23	31-Oct-29	Corruption/Fraud
14	Futura Distribuidora e Comércio em Geral Eireli ("FUTURA")	Firm	Brazil	Brazil	31-Oct-23	30-Oct-28	Corruption/Fraud
15	IBM del Perú S.A.C.	Firm	Peru	Peru	31-Mar-23	30-Mar-24	Collusion
16	JLM Distribuidora Comércio e Serviços Eireli ("JLM")	Firm	Brazil	Brazil	1-Nov-23	31-Oct-29	Corruption/Fraud
17	Lucília dos Santos Mercês ("LUCÍLIA MERCÊS")	Individual	Brazil	Brazil	1-Nov-23	1-Nov-23	Corruption/Fraud
18	Pedro Alejandro Egusquiza Meléndez	Individual	Peru	Peru	30-Jun-23	29-Jan-26	Fraud
19	Rolando Gustavo Quezada Lamas	Individual	Peru	Peru	31-Mar-23	30-Mar-24	Collusion
20	Víctor Julio Arias Herrera	Individual	Costa Rica	Costa Rica	31-Mar-23	30-Mar-26	Fraud

APPENDIX IV

Cooperation Agreements

■ Cooperation Agreements signed to date between OII and national authorities:

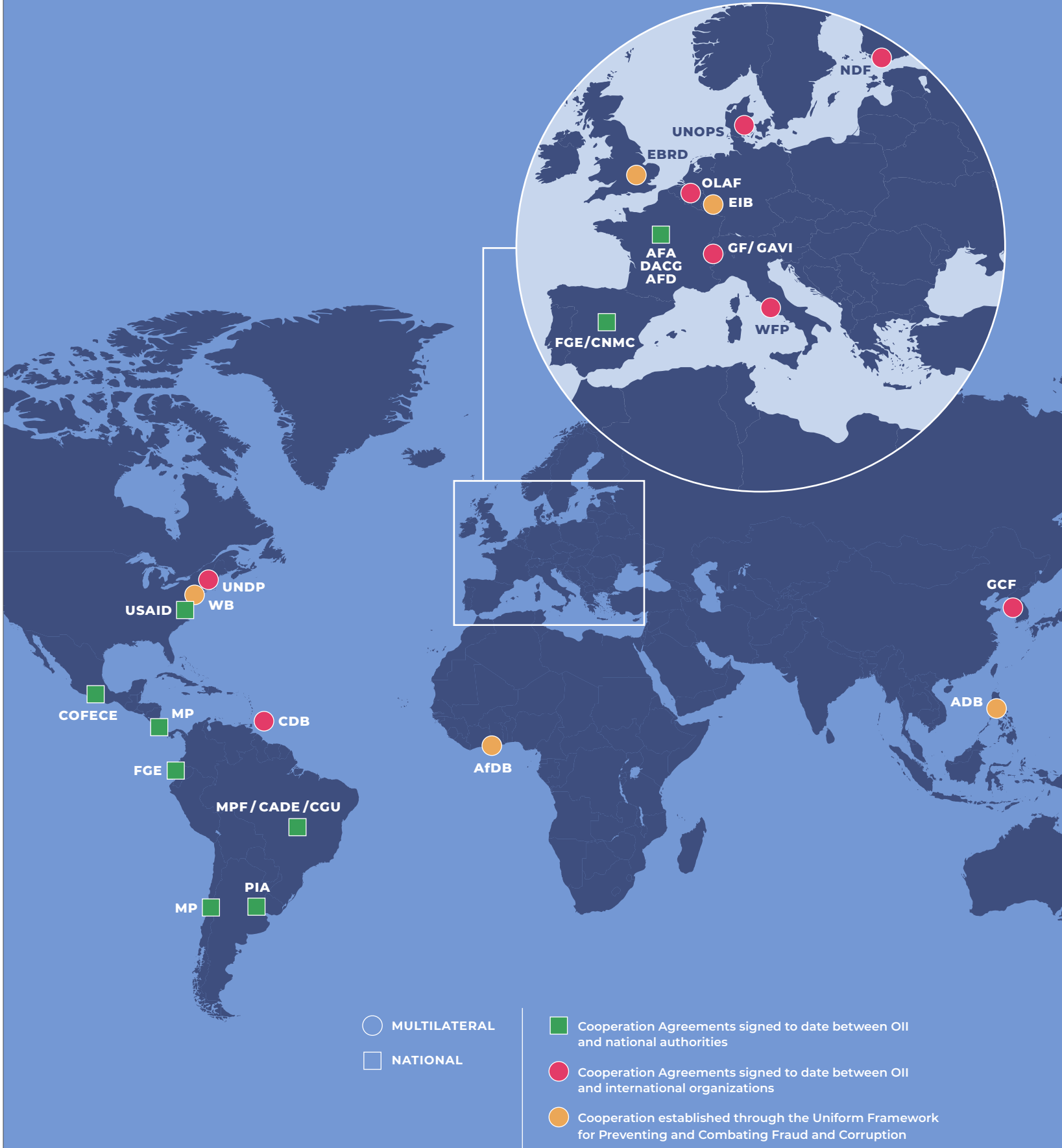
CADE	• Administrative Council for Economic Defense •	BRASILIA, BRAZIL
OLAF	• European Anti-Fraud Office •	BRUSSELS, BELGIUM
CNMC	• National Commission of Markets and Competition •	MADRID, SPAIN
COFECE	• Federal Economic Competition Commission •	MEXICO DF, MEXICO
MPF	• Brazilian Federal Prosecution Service •	BRASILIA, BRAZIL
FGE	• Prosecution Office against Corruption and Organized Crime •	MADRID, SPAIN
FGE	• National Office of the Public Prosecutor •	QUITO, ECUADOR
AFA	• French Anti-Corruption Agency •	PARIS, FRANCE
MP	• Public Prosecutor's Office •	SANTIAGO, CHILE
DACG	• Directorate of Criminal Affairs and Pardons •	PARIS, FRANCE
CGU	• Comptroller General Office •	BRASILIA, BRAZIL
USAID	• Office of the Inspector General •	WASHINGTON D.C., USA
MP	• Public Ministry of Costa Rica •	SAN JOSÉ, COSTA RICA
AFD	• French Development Agency •	PARIS, FRANCE
PIA	• Public Prosecutor's Office for Administrative Investigations •	BUENOS AIRES, ARGENTINA

● Cooperation Agreements signed to date between OII and international organizations:

NDF	• Nordic Development Fund •	HELSINKI, FINLAND
UNDP	• United Nations Development Program •	NEW YORK, USA
CDB	• Caribbean Development Bank •	BRIDGETOWN, BARBADOS
GF	• The Global Fund to Fight Aids, Tuberculosis, and Malaria •	GENEVA, SWITZERLAND
UNOPS	• United Nations Office for Project Services •	COPENHAGEN, DENMARK
GCF	• Green Climate Fund •	INCHEON, SOUTH KOREA
GAVI	• Gavi, the Vaccine Alliance •	GENEVA, SWITZERLAND
WFP	• World Food Programme •	ROME, ITALY

● Cooperation established through the Uniform Framework for Preventing and Combating Fraud and Corruption:

AfDB	• African Development Bank Group •	ABIDJAN, CÔTE D'IVOIRE
ADB	• Asian Development Bank •	MANDALUYONG, PHILIPPINES
EBRD	• European Bank for Reconstruction and Development •	LONDON, UK
EIB	• European Investment Bank •	KIRCHBERG, LUXEMBOURG
WB	• World Bank Group •	WASHINGTON D.C., USA



APPENDIX V

Glossary

The definitions contained in this Glossary are not necessarily official, but rather are provided to aid in the understanding of certain terms by readers of this report.

Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT) Framework

While the Bank is not subject to national regulations, it has formalized its commitment, consistent with international best practices, to safeguard its operations from the risks of money laundering and the financing of terrorism. This Framework requires IDB business units to apply AML/CFT controls on all financial relationships with external counterparties, including donors, vendors, consultants, and consulting firms.

Complaints

Allegations received by OII potentially related to prohibited practices, including information obtained proactively by OII through research methods or reported publicly.

Conditional Non-Debarment

A sanction whereby a Respondent is required to comply with certain remedial, preventative, or other measures as a condition to avoid debarment from additional contracts for projects. Failure by the Respondent to comply with such

measures in the prescribed time period may result in automatic debarment under the terms provided in the Sanctions Officer’s Determination, the Sanctions Committee’s Decision, or the Negotiated Resolution Agreement, as appropriate.

Constructive Notice

The inference that the Respondent has knowledge of a Notice of Administrative Action or other type of communication by virtue of publication and/or other efforts to notify the Respondent as deemed appropriate by and at the discretion of the Sanctions Officer or Executive Secretary, as applicable.

Cross-Debarment

An agreement among the African Development Bank Group, Asian Development Bank, European Bank for Reconstruction and Development, Inter-American Development Bank Group, and the World Bank Group to mutually enforce each other’s debarment actions, with respect to the four harmonized sanctionable practices, i.e., corruption, fraud, coercion, and collusion.

Debarment with Conditional Release

A sanction whereby a Respondent is subject to a debarment that shall be terminated upon compliance with conditions set forth in the Sanctions Officer’s Determination or the Sanctions Committee’s Decision, as appropriate.

Decision

A ruling issued by the Sanctions Committee assessing whether a preponderance of the evidence supports a finding that the Respondent engaged in a prohibited practice.

Determination

A ruling issued by the Sanctions Officer assessing whether a preponderance of the evidence supports a finding that the Respondent engaged in a prohibited practice.

Full Investigation

The final investigative stage for allegations of prohibited practices that are identified to have corroborating evidence that may lead to the substantiation of an allegation.

High-Impact Investigation

Investigation that pertains to allegations of corruption, collusion, significant financial fraud in the execution of a project, or misconduct by executing agency personnel.

Integrity Due Diligence (IDD)

In order to manage integrity risk and the associated risk of reputational and other impacts in its operations, IDB Invest conducts integrity due diligence on proposed operations prior to approving or otherwise effecting such operations and in a manner commensurate to the risks presented by the type of operation. Integrity due diligence includes the following core elements: (i) general integrity review, (ii) anti-money laundering/ combating the financing of terrorism (AML/CFT) review, and (iii) structural integrity review.

Integrity Risk Review (IRR)

Review of an IDB-financed program that is conducted by OII in close cooperation with project teams to identify factors that increase integrity risk and its reputational impact on the program. In broad terms, this preventive tool examines (i) internal controls, (ii) procurement, (iii) financial management, (iv) asset verification, and (iv) governance.

Letter of Reprimand

A sanction whereby a Respondent is issued a formal letter of censure from the Sanctions Officer or the Sanctions Committee, as appropriate.

Matter

The first intake stage after receiving allegations through different submission channels that have passed an initial assessment on relevance and mandate requirements.

Negotiated Resolution Agreement (NRA)

A process through which OII may seek a mutually agreed upon resolution (settlement) of a case, instead of a contested sanction proceeding, when an investigated party admits or does not contest the findings of an investigation and provides evidence of systemic prohibited practices or integrity risks to IDB Group-financed activities.

Notice of Administrative Action

The document prepared by the Sanctions Officer that notifies a party that sanctions proceedings have been initiated against them as a Respondent. A Notice of Administrative Action contains a copy of the Statement of Charges submitted by OII, states the initial finding of the Sanctions Officer, appends a copy of the Sanctions Procedures, and explains that the Respondent has an opportunity to respond prior to a determination being made and/or sanction being imposed.

Preliminary Investigation

The initial investigative stage for allegations of prohibited practices that have passed an initial screening for credibility and mandate requirements.

Prohibited Practices

Parties subject to the IDB Group’s jurisdiction are prohibited from engaging in the following practices: fraud, corruption, collusion, coercion, obstruction, and misappropriation. Misconduct related to such practices may lead to sanction proceedings (see Appendix I for further details).

Report of Investigation (ROI) and Advisory Note

Report that communicates to Management and project teams any operational or integrity deficiencies or weaknesses identified during an investigation completed by OII and suggests concrete actions to address them in the investigated project and in situations or projects with similar characteristics.

Request for Eligibility for a Negotiated Resolution Agreement

OII’s request for a decision issued by the Sanctions Officer on whether the alleged actions of the investigated party, if substantiated, would constitute a prohibited practice and whether the eligibility criteria for a Negotiated Resolution have been met. The Sanctions Officer will provide OII with his or her concurrence that such agreement is permissible and the range of sanctions to which OII shall refer in negotiations.

Request for Temporary Suspension

A submission presented by OII to the Sanctions Officer requesting that a

temporary suspension be imposed on a Respondent.

Request for Reconsideration

Respondent’s submission requesting that the Sanctions Officer reconsider the imposed temporary suspension.

Respondent

Individual or firm alleged to have engaged in a prohibited practice.

Sanction

If a party is found to have engaged in a prohibited practice, the possible sanctions are reprimand, debarment, conditional non-debarment, debarment with conditional release, and other sanctions, including, but not limited to, the restitution of funds and the imposition of fines.

Sanctions Committee

The second and final instance of the Sanctions System’s adjudication phase, consisting of four external and three internal members appointed by the president of the Bank, to carry out the functions of the committee independently as set forth in the Sanctions Procedures and Sanctions Committee Charter.

Sanctions Officer

The first instance of the Sanctions System’s adjudication phase, consisting of an individual appointed by the president of the Bank, who shall not be a member

of the Sanctions Committee, and who serves independently, as established in the Sanctions Procedures.

Statement of Charges and Evidence

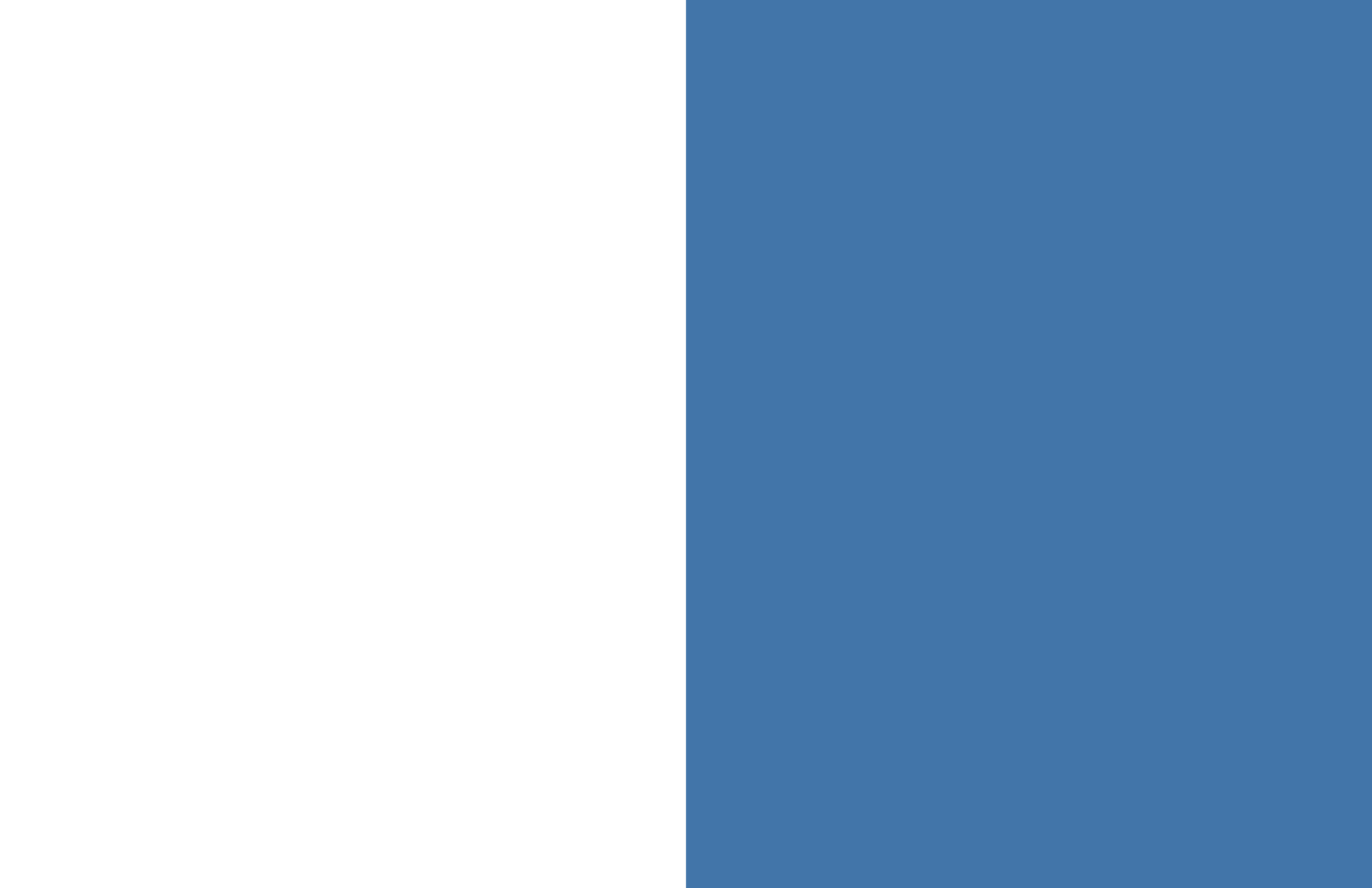
The formal pleading prepared by OII that identifies each party alleged to have engaged in a prohibited practice, outlines the alleged charges, and appends all evidence relevant to the determination of a sanction, including exculpatory or mitigating evidence in OII’s possession.

Temporary Suspension

The Sanctions Officer may temporarily suspend a party from eligibility to participate in or be awarded additional contracts for projects pending the conclusion of sanctions proceedings.

Triage System

A case-weighting system used to ensure that investigatory findings will be available to address the most serious allegations of misconduct in activities financed by the IDB Group.





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