

OFFICE OF INSTITUTIONAL INTEGRITY  
AND **SANCTIONS SYSTEM**

# **ANNUAL REPORT 2014**

**Cataloging-in-Publication data provided by the  
Inter-American Development Bank  
Felipe Herrera Library**

Office of Institutional Integrity and Sanctions System: annual report 2014/ Maristella Aldana, Juan Gabriel Ronderos, Bernardo Weaver.  
p. cm

1. Development banks. 2. Transparency in international agencies. 3. Corruption—Prevention. I. Aldana, Maristella. II. Ronderos, Juan Gabriel. III. Weaver, Bernardo. IV. Inter-American Development Bank. Office of Institutional Integrity. V. Inter-American Development Bank. Case Officer. VI. Inter-American Development Bank. Sanctions Committee Secretariat.

IDB-AR-116

Copyright © 2015 Inter-American Development Bank. This work is licensed under a Creative Commons IGO 3.0 Attribution-Non Commercial-No Derivatives (CC-IGO BY-NC-ND 3.0 IGO) license (<http://creativecommons.org/licenses/by-nc-nd/3.0/igo/legalcode>) and may be reproduced with attribution to the IDB and for any non-commercial purpose. No derivative work is allowed.

Any dispute related to the use of the works of the IDB that cannot be settled amicably shall be submitted to arbitration pursuant to the UNCITRAL rules. The use of the IDB's name for any purpose other than for attribution, and the use of IDB's logo shall be subject to a separate written license agreement between the IDB and the user and is not authorized as part of this CC-IGO license.

Note that link provided above includes additional terms and conditions of the license.

The opinions expressed in this publication are those of the authors and do not necessarily reflect the views of the Inter-American Development Bank, its Board of Directors, or the countries they represent.



## I. INTRODUCTION

- 1.1. This Annual Report reflects the work of the **Office of Institutional Integrity (OII)**, the **Case Officer (CO)** and the **Sanctions Committee (SNC)**, which are primarily responsible for overseeing the management of integrity risk at the IDB Group<sup>1</sup>. As such, they constitute a “second line of defense” in a risk management context. Their work complements that of the “first line of defense” – the operational and corporate staff of the IDB Group, who are directly responsible for identifying, assessing and mitigating integrity risk.
- 1.2. In a broader sense, however, managing integrity risk in IDB Group activities requires the active participation of many stakeholders. In 2014, key partners in this collective effort included executing and enforcement agencies in borrowing member countries, private companies, civil society organizations, and members of the general public. The work summarized in this report would not have been possible without their cooperation, and we give them our thanks.
- 1.3. The report is structured in two sections: the first provides an overview of OII, the CO and the SNC, and the second presents data, case studies and analysis specific to their work in 2014.

---

<sup>1</sup> The IDB Group comprises the IDB, the Multilateral Investment Fund (MIF), and the Inter-American Investment Corporation (IIC).

## II. OVERVIEW

### A. Prohibited Practices

- 2.1 IDB Group efforts to manage integrity risk and respond to its occurrence are grounded in the concept of “Prohibited Practices”. This concept is reflected in the following definitions, which the IDB Group adopted based on a harmonized approach agreed with other International Financial Institutions (IFIs).

#### PROHIBITED PRACTICES

**Corrupt Practice:** “Offering, giving, receiving, or soliciting, directly or indirectly, anything of value to influence improperly the actions of another party.”

**Fraudulent Practice:** “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:** “Impairing or harming, or threatening to impair or harm, directly or indirectly, any party or the property of the party to influence improperly the actions of a party.”

**Collusive Practice:** “An arrangement between two or more parties designed to achieve an improper purpose, including influencing improperly the actions of another party.

**Obstructive Practice:** “(a) Deliberately destroying, falsifying, altering or concealing evidence material to the investigation or making false statements to investigators in order to materially impede a IDB Group investigation into allegations of a corrupt, fraudulent, coercive or collusive practice; and/or threatening, harassing or intimidating any party to prevent it from disclosing its knowledge of matters relevant to the investigation or from pursuing the investigation” or (b) “Acts intended to materially impede the exercise of the Bank’s inspection and audit rights.”

### B. Uniform Framework for Preventing and Combating Fraud and Corruption

- 2.2 The harmonized approach to integrity matters was the result of a collective effort with the African Development Bank (AfDB) Group, the Asian Development Bank (ADB), the European Bank for Reconstruction and Development (EBRD), the European Investment Bank (EIB) Group, the International Monetary Fund (IMF), and the World Bank (WB) Group. These IFIs established a task force that worked to develop a consistent and harmonized approach to increase the effectiveness of each institution’s efforts to combat corruption in their activities. As outlined in *The Uniform Framework for Preventing and Combating Fraud and Corruption*, that task force identified six elements for a harmonized strategy:
- i. Definitions of Fraudulent and Corrupt Practices (i.e., the Prohibited Practices defined above);
  - ii. Principles and Guidelines for Investigations;

- iii. Exchange of Information (among member IFIs);
- iv. Integrity Due Diligence (in private sector operations);
- v. Mutual Recognition of Debarment Decisions; and
- vi. Support for Anti-Corruption Efforts of Member Countries.

These elements have been further developed by the IFIs, acting collectively and within each institution's own policies and procedures.

## C. The Office of Institutional Integrity

- 2.3 OII is an independent office of the IDB that reports directly to the President of the IDB. It also reports its activities and results to the Audit Committee of the Board of Executive Directors. OII has two mandates: to prevent and to investigate Prohibited Practices. These mandates are performed by two different teams that collaborate closely.

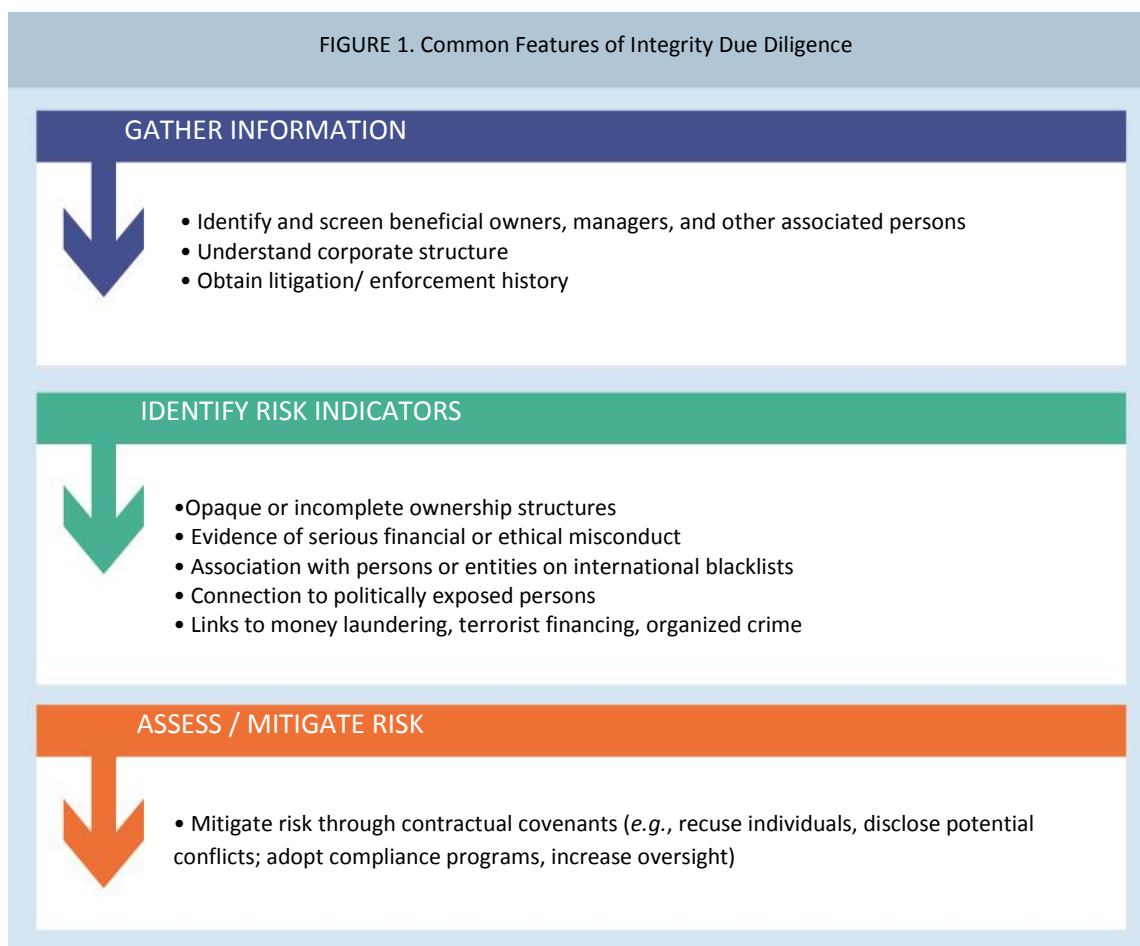
### OII Preventive Activities

- 2.4 OII's preventive activities seek to identify and mitigate integrity risk – the risk that a Prohibited Practice will occur in an IDB Group Operation – and any reputational impact to the IDB Group related to such risk. Prevention activities consist primarily of:
- advising IDB Group operational units regarding specific operations;
  - sharing lessons learned from investigations with operational staff;
  - providing training to internal and external stakeholders;
  - designing tools to gather and assess information that may indicate the presence of integrity risks; and
  - contributing to the development of policies that improve the IDB Group's ability to detect and reduce integrity risk.
- 2.5 **Advice Regarding Non-Sovereign Guaranteed Operations.** The IDB Group manages integrity risks in Non-Sovereign Guaranteed (NSG) Operations<sup>2</sup> primarily through Integrity Due Diligence (IDD). IDB Group guidelines require project teams to conduct IDD for each NSG operation, and to update that due diligence throughout the life of the project. IDD is a process that may vary in scope depending on the nature of the operation or parties involved, but it generally involves the steps summarized in figure 1 below.

---

<sup>2</sup> For purposes of this report, NSG Operations are loans, guarantees, equity and other financing provided by the Structured and Corporate Finance Department (SCF) and the Opportunities for the Majority Sector (OMJ) of the Bank, as well as the Inter-American Investment Corporation (IIC) and the Multilateral Investment Fund (MIF). These units – SCF, OMJ, IIC and MIF – are collectively referred to as the “NSG Windows”.

FIGURE 1. Common Features of Integrity Due Diligence



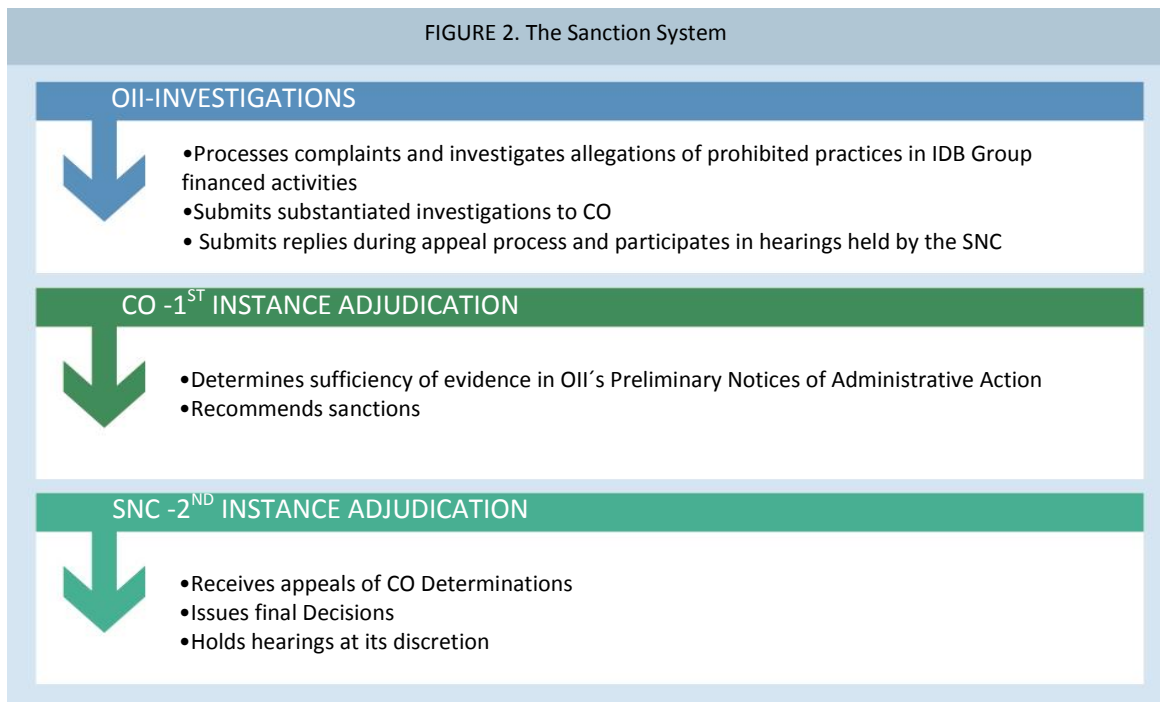
- 2.6 IDB Group guidelines also require project teams to gather information regarding the use of certain corporate structures by counterparties, and to identify and mitigate risks associated with offshore financial centers (OFCs). This additional information is used to identify indicators of tax evasion and other illicit acts (*e.g.*, money laundering and corruption) that are frequently associated with OFCs.
- 2.7 OII advises project teams, management and the respective Board or Donors Committee in connection with individual operations. Such advice relates to the identification, assessment and – when those risks are heightened or significant – the mitigation of integrity, reputational and OFC risks. Much of this work is done in response to consultations received from operational staff.
- 2.8 **Advice regarding Sovereign Guaranteed Operations.** For Sovereign Guaranteed (SG) operations, integrity risk management is focused on identifying, during the design and implementation phases of a program, weaknesses and vulnerabilities that could allow for bidders, suppliers, contractors, consultants or other participants in IDB GROUP-financed operations to engage in Prohibited Practices.

- 2.9 Integrity risk management in SG operations is the collective responsibility of sector and fiduciary specialists and their supervisors, and is embedded in the project risk management process. OII helps teams fulfill this responsibility by advising on the identification and valuation of risk indicators, and making recommendations regarding risk mitigation strategies. OII may provide such advice in response to specific consultations, but more frequently participates in SG operations when risks have been identified through an investigation or other means.
- 2.10 **Reports of Investigation and Advisory Notes.** OII extracts lessons learned from investigations regarding the identification and mitigation of integrity risks. OII shares this knowledge with operational staff through Reports of Investigation (ROIs) and Advisory Notes – joint products of the investigative and preventive teams of OII that suggest concrete areas of action. ROIs are prepared following completion of an investigation, and communicate any deficiencies or weaknesses in an IDB Group-financed operation that were identified by OII. Advisory Notes, on the other hand, communicate time-sensitive indicators of integrity risk to operational staff and management during the course of an investigation.
- 2.11 The findings and conclusions reflected in ROIs may be shared with the government authority responsible for overseeing that IDB Group operation. In addition, OII, the CO or the SNC may recommend sharing information with enforcement authorities.
- 2.12 **Training to Internal and External Stakeholders.** OII provides training for two broad purposes: (i) increasing awareness of the Bank’s integrity framework and the responsibilities of IDB Group employees, Executing Agencies, beneficiaries of IDB Group financing and private sector entities; and (ii) building internal and external capacity to manage integrity risk in IDB Group operations. OII’s training materials are informed by applicable policies and procedures, and incorporate case studies from investigations and prevention consultations.
- 2.13 **Development of New Tools.** OII works with operational units to develop tools to manage integrity risk and add value to specific projects (*e.g.*, integrity review of SG operations).
- 2.14 **Policy Development and related work.** As required, OII works on updating integrity-related policies and procedures and regularly contributes to other IDB Group policies to ensure that the integrity concerns are clearly articulated in operational policies.

#### OII Investigative Activities

- 2.15 OII’s investigative activities are the first step of the Sanctions System. OII’s investigative work is the input for the adjudicative work of the CO and the SNC (see Figure 2).

FIGURE 2. The Sanction System



- 2.16 OII investigations seek to determine whether an external party has engaged in Prohibited Practices in an IDB Group-financed activity. OII investigations are generally triggered by complaints. However, OII may undertake investigations based on information that it uncovers proactively or that is publicly available. Investigations can relate to any activities financed by the IDB Group, including corporate procurement.
- 2.17 The investigative process is divided into three phases: (i) Pre-Investigation, which includes complaints processing and preliminary inquiries; (ii) Full Investigation; and (iii) Post-Investigation.
- 2.18 **Pre-Investigation Phase.** Complaints originate from various sources (including IDB Group employees, third parties, and anonymous sources) and can be received through a number of different reporting channels, (including e-mail, the OII website, a telephone hotline, and in-person reporting).<sup>3</sup> Complaint processing involves two separate tasks: (i) creating records of complaints in the Case Management System (CMS); and (ii) assessing the relevance of the complaint to OII. OII determines relevance by assessing whether the complaint:
- concerns a Prohibited Practice;
  - relates to activities financed or to be financed by the IDB Group; and
  - provides sufficient information to be credible.
- 2.19 If a complaint meets the initial assessment criteria, OII converts it into an allegation and commences a preliminary inquiry. If a complaint does not meet the threshold criteria, OII closes the case, but may refer it to relevant departments or other organizations for possible action.

<sup>3</sup> Information on how to report fraud and corruption can be found at <http://www.iadb.org/en/topics/transparency/integrity-at-the-idb-group/how-to-report-fraud-and-corruption,2872.html>.



- 2.20 During a Preliminary Inquiry, the intake unit determines whether a full investigation is warranted. OII makes this assessment by consulting with relevant IDB Group staff, conducting preliminary interviews of the complainant and witnesses, and considering various factors, including:
- the egregiousness of the alleged wrongdoing;
  - the viability of the investigation;
  - the amount of loss or harm resulting from the alleged wrongdoing;
  - the possibility of systemic problems;
  - the likelihood that the subject engaged in similar conduct in other IDB Group-financed activities; and
  - the time-sensitivity of the underlying activity.
- 2.21 The information gathered through this process enables OII to better understand the allegation's potential impact on the IDB Group-financed activity, its development objectives, and its beneficiaries. It also helps OII determine whether the allegation merits the resources that would be invested in a full investigation.
- 2.22 **Full Investigation Phase.** Once OII converts a preliminary inquiry into a full investigation, a team of investigators – usually two – is assigned. This team conducts a fact-finding exercise that may involve, among other things, expert consultations, interviews, document reviews, site inspections, and audits. The investigation team seeks to corroborate facts by obtaining evidence from multiple sources that collectively inform OII's conclusions. Based on this evidence, the Chief of OII determines whether the evidence gathered supports a finding that the subject of an investigation is more likely than not to have engaged in a Prohibited Practice.
- 2.23 **Post-Investigation Phase.** If this standard has been met, OII prepares one or more Preliminary Notice(s) of Administrative Action (PNAA). A PNAA incorporates a statement of charges against the Respondent (a person or entity,) and attaches the evidence that supports such findings, together with any exculpatory evidence. These documents are sent to the CO, and are the focus of the first instance of the adjudication phase of the Sanctions System.
- 2.24 In addition, if a sanction recommended by the CO is appealed to the SNC, OII participates as a party in the resulting process. In this capacity, OII prepares a reply to the Respondent's response and provides any information or materials required by the SNC. OII will also take part in any hearings held in connection with such appeals, which may require OII to deliver oral arguments or examine any witnesses appearing at the hearing.
- 2.25 In addition, following a full investigation, the investigators assigned to the case will work with the prevention team to prepare, as required, a ROI for the relevant Managers and operational staff (see above).

#### **D. The Case Officer**

- 2.26 The CO is a Bank staff member appointed by the President of the IDB, in consultation with the Audit Committee. The CO reports his activities and results to the Audit Committee of the Board of Executive Directors. The CO determines whether there is sufficient evidence to support OII's findings that a Prohibited Practice has occurred. As part of that review, the CO evaluates the sufficiency of the evidence submitted, which involves an assessment of compliance with international investigative best practices.

- 2.27 If the CO finds sufficient evidence that a Prohibited Practice has occurred, he recommends sanctions to be imposed against Respondent(s) on behalf of the IDB Group. If the Respondent does not appeal this recommended sanction to the SNC within 60 days, the CO's recommended sanctions are imposed.
- 2.28 The CO may issue three types of Determinations: (i) Determinations of Sufficient Evidence with recommended sanction—Notice of Administrative Action; (ii) Determinations of Insufficient Evidence; and (iii) Determinations of Temporary Suspensions.
- 2.29 **Determinations of Sufficient Evidence with Recommended Sanction – Notices of Administrative Action (NAA).** The CO issues these Determinations when he concludes that the evidence submitted by OII is sufficient to support a finding of a Prohibited Practice.

#### NOTIFICATION PROCESS

When the CO issues a Determination with recommended sanctions, the CO notifies the respondent regarding the initiation of the Sanctions Proceedings. After this notification, the respondent has 60 calendar days to appeal the CO's Determination before the SNC. If the respondent fails to submit an appeal to the SNC within this period, the CO's recommended sanctions are imposed.

According to the Sanctions Procedures, this notice is to be made using certified mail or other courier services that can provide evidence of delivery. Frequently, however, the mail courier or carrier services are unable to deliver such notice to Respondents due to varying degrees of postal service development in member countries.

In these cases, the CO's Office attempts to contact Respondents through various means, including phone, e-mail or paper correspondence to confirm receipt. In some cases the CO's Office has collaborated with the Bank's Representation in the country where the Respondent resides, in order to contact Respondents. Each of these notification efforts, referred to as "Notice Transactions", is recorded and documented.

If the CO's Office cannot deliver an NAA to the address obtained by OII during the investigation, and its efforts to contact Respondents are not successful, the CO's Office applies the Protocol for Constructive Notice. This Protocol seeks to ensure that all Respondents effectively receive the NAAs and have an opportunity to appeal. It allows for constructive notice to Respondents through a public notice published on the Bank's website. Through this public notice, the CO announces that it is attempting to locate a Respondent in order to deliver an NAA in relation to the Sanction Proceedings initiated by the Bank. The CO will deem that the NAA has been delivered after 30 calendar days of posting this public notice.

- 2.30 As part of the NAA, the CO recommends sanctions against Respondents. The CO (and the SNC, in the second instance) may recommend or impose sanctions. The sanctions recommended by the CO are based on the Sanctioning Guidelines, which were adopted by the CO and the SNC. They are in line with the sanctioning principles of other IFIs, as described in the International Financial Institutions General Principles and Guidelines for Sanctions.

## SANCTIONS

According to the Sanctioning Guidelines, the base sanction is a three-year debarment period that can be enhanced and/or reduced from a range of one to five years based on a set of mitigating and aggravating factors to be considered by the CO and the SNC. The CO and the SNC may recommend or impose the following sanctions:

- Reprimand
- Debarment for a determined period
- Permanent debarment
- Conditional debarment
- Debarment with conditional release
- Restitution of funds or impositions of fines

- 2.31 **Determinations of Insufficient Evidence.** The CO issues these Determinations when, after consulting with the Chairperson of the SNC, the CO concludes that the evidence submitted by OII is insufficient to support a finding of a Prohibited Practice. In these cases, proceedings against Respondents are concluded without prejudice. This means that in these situations, OII may submit a new PNAA with additional evidence to the CO.
- 2.32 **Determinations of Temporary Suspension.** These Determinations bar Respondents from participating in IDB Group-financed operations while investigations or sanctions proceedings are ongoing. The CO considers such determinations upon recommendation of the Bank or the Corporation, and issues them when, after consulting with the Chairperson of the SNC, the CO concludes that there is a risk of imminent financial or reputational harm to the IDB Group.

### E. The Sanctions Committee and its Secretariat

- 2.33 The SNC is an independent seven-member committee (four members external to the IDB Group, and three Bank staff members with an alternate IIC staff member), assisted by a Secretariat. The President of the IDB appoints the members of the SNC and its Secretary and, in consultation with the Audit Committee of the Board, designates a Chairperson of the SNC from among its members. The SNC serves as the second and final instance of the adjudication phase of the Sanctions System.
- 2.34 The SNC adjudicates cases in which Respondents have contested a Temporary Suspension or Determination issued by the CO. The SNC is responsible for ensuring that the appeals process is followed (Foundational Processes) and for issuing final Decisions (Substantive Output).
- 2.35 **Substantive Output.** The SNC can decide cases either through three-member panels or through a full Committee, with a required quorum of five members. The SNC reviews the written submissions made by OII and the Respondents, and can hold hearings where OII and the Respondents have the opportunity to address the SNC directly. When hearings are held, the Chairperson of the SNC convenes a full Committee quorum.

- 2.36 The SNC analyzes whether the evidence supports the conclusion that a Prohibited Practice occurred and, if so, what sanction to impose. The SNC also decides whether to reaffirm or overturn Temporary Suspensions issued by the CO. All Committee Decisions are final and cannot be appealed.
- 2.37 **Foundational Processes.** The Secretariat serves as a registry for the SNC, and manages all notices and submissions related to the SNC's proceedings and Decisions. These include, in addition to other *ad hoc* submissions and communications, receiving appeals from Respondents, certifying the failure of Respondents to file such appeal, receiving submissions from OII and Respondents and notifying them of each other's submissions as well as drafting Decisions for the SNC, including imposed sanctions.
- 2.38 The Secretariat also manages the publication of sanctions, including those imposed by the IDB, as well as those imposed by other Multilateral Development Banks (MDBs) and recognized by the IDB Group under the Agreement for Mutual Enforcement of Debarment Decisions (the Cross-Debarment Agreement).<sup>4</sup> In addition, the Secretariat communicates Determinations of Temporary Suspension issued by the CO to relevant units within the IDB Group.

---

<sup>4</sup> The Agreement for Mutual Enforcement of Debarment Decisions was entered into by the AfDB Group, the ADB the EBRD, the WB Group and the IDB Group on April, 2010.

### III. 2014 ACTIVITIES

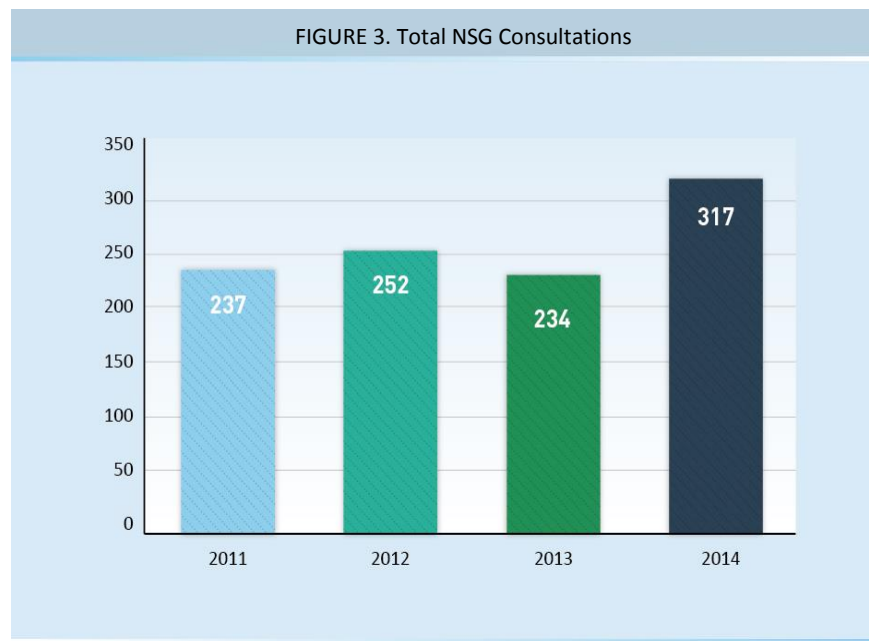
- 3.1 This section presents numerical data, case studies and other descriptions of the work that OII, the CO and the SNC carried out during 2014.

#### A. OII ACTIVITIES

- 3.2 During 2014, as summarized below, OII carried out various activities in pursuit of its two mandates: to prevent and to investigate Prohibited Practices.

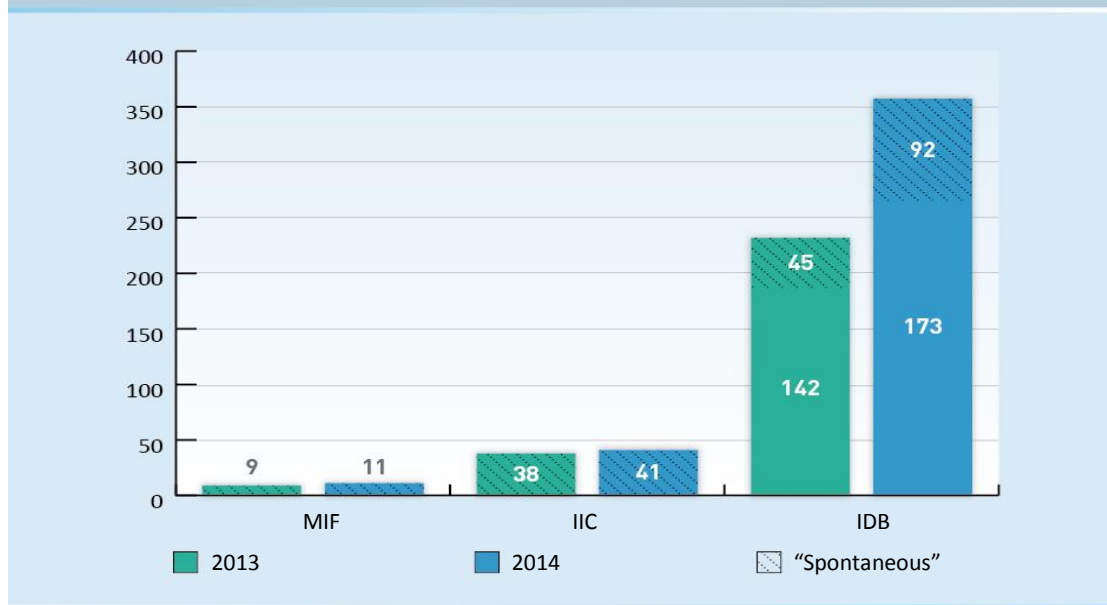
#### OII Preventive Activities

- 3.3 **Advice on NSG Operations.** A significant portion of OII's preventive work in support of NSG operations was performed in response to consultations received from NSG Windows. These consultations relate to operations being prepared and operations already in portfolio. As shown in Figure 3, the overall number of NSG consultations increased in 2014 compared to prior years.



- 3.4 As shown in Figure 4, this increase was driven largely by consultations received from SCF and OMJ – particularly from spontaneous consultations. OII participates in the approval processes for all SCF and OMJ projects, and treats its participation in eligibility and quality and risk review meetings as consultations. It distinguishes those process-driven consultations from spontaneous consultations, which OII receives from all four Windows.

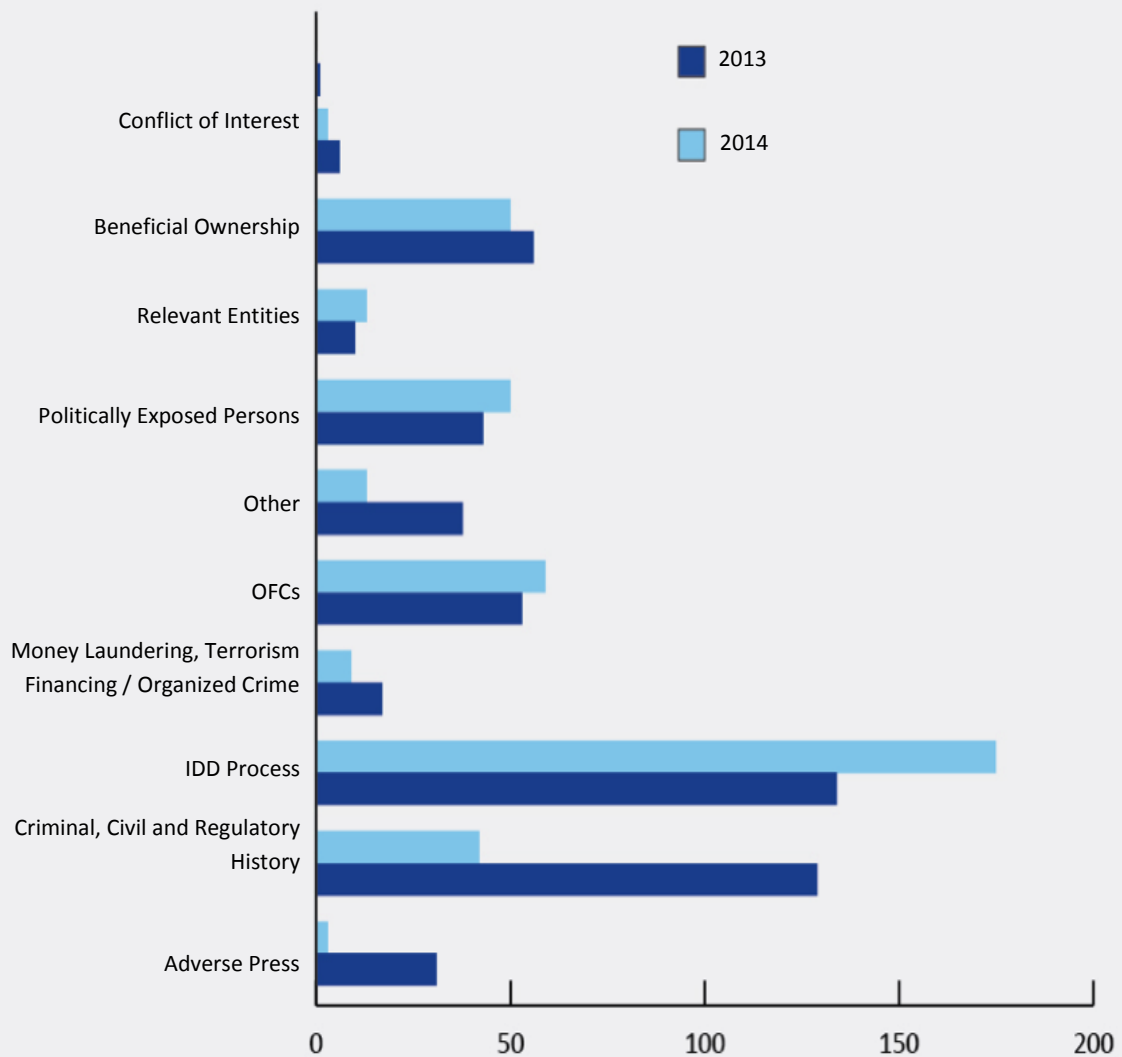
FIGURE 4. Consultations received, by NSG Window



- 3.5 The increase in “spontaneous” consultations from the IDB in 2014 is likely related to two significant process improvements:
- i. SCF’s establishment of a dedicated unit to gather Integrity Due Diligence (IDD) information; and
  - ii. Improved coordination with the Portfolio Management Unit (PMU) for SCF and OMJ.
- 3.6 In 2013, SCF established a small loan support unit within PMU that conducts much of the information-gathering for IDD in connection with SCF and OMJ operations. The officers in this unit work closely with Investment Officers, Portfolio Management Officers and OII to complete and update IDD. They have developed expertise in this area, and have significantly improved the quality and efficiency of those reviews. This qualitative improvement may explain the decrease in consultations regarding the IDD process shown in Figure 5.
- 3.7 PMU is also responsible for regularly updating IDD in connection with SCF and OMJ projects in portfolio. Over the last several years, OII and PMU have worked to improve coordination between their offices regarding the identification and disclosure of evolving integrity and reputational risks in portfolio projects. This appears to have resulted in significantly increased consultations from PMU in 2014. It also appears to account for the increase in consultations regarding “Criminal, Civil and Regulatory History” as well as “Adverse Press”, since those issues are more likely to be the subject of PMU consultations (see Figure 5).<sup>5</sup> Overall, this shift suggests that the IDB has improved its awareness of the integrity and reputational risks arising from its NSG operations portfolio.

<sup>5</sup> Portfolio projects are less likely to encounter issues like beneficial ownership and politically exposed persons, since those issues are generally resolved at project origination. Note that many consultations address more than one issue.

FIGURE 5. Subject Matter of NSG Consultations



3.8 While quantitative measures can illustrate some aspects of OII's work in 2014, the examples below show the qualitative nature of the advice provided by OII in NSG consultations.

EARLY DETECTION OF INTEGRITY RISK
A proposed counterparty was found to have violated national sanctions laws. OII helped the team gather information and assess risks before significant IDB resources had been spent. It also helped determine whether corporate reforms would adequately mitigate risks.
COLLABORATING WITH OTHER IDB UNITS
In an infrastructure project receiving both SG and NSG financing, OII worked across the SG and NSG teams to improve the overall understanding of integrity risks. OII recommended mitigation efforts in the NSG context -- principally involving a compliance program -- that also benefitted the SG project.
ADDING VALUE TO NSG PROJECTS
Counterparties in supply chain financing generally lack Know Your Customer (KYC) screening systems for final beneficiaries. In 2014, OII designed a limited, voluntary KYC process for such counterparties, to reduce integrity and money laundering risks.
IDENTIFYING RISKS FROM OFCs
A counterparty with state ownership used a complex corporate structure with offshore entities. OII advised that this structure could be used to funnel kickbacks to government officials, and proposed a due diligence approach to assess that risk.

3.9 OII generally seeks to mitigate integrity risks in projects. Nevertheless, cancellations of NSG projects for integrity issues are one measure of the impact of IDD. Data on such cancellations is difficult to track, because project cancellations often happen for a combination of reasons. But OII is aware of a number of projects that did not proceed in 2014 in connection with integrity matters, including:

- A proposed corporate counterparty was found to be under investigation by national authorities for anti-competitive practices. The project team chose to delay consideration of the project pending completion of the investigation.
- A proposed financial institution counterparty located in an offshore jurisdiction had allegedly been used by government officials to embezzle funds. OII advised the team that these allegations presented significant integrity and reputational risks. Based on that advice, the investment team chose not to pursue the project.



- The recipient of a corporate loan in portfolio intended to sell a majority of its shares and requested IDB approval, as required by the loan agreement. OII advised that, before granting approval, beneficial ownership information should be obtained regarding the new controlling shareholder. Rather than provide that information – the absence of which is a disqualifying fact under the IDD Guidelines – the Borrower chose to voluntarily prepay the loan.
- 3.10 **Advice on SG Operations.** During 2014, OII continued to work with a project team to reformulate the execution mechanism of an operation that OII had identified as high risk based on investigative findings. In connection with a separate operation, OII contributed to the institutional assessment of the Executing Agency and the corresponding execution arrangements that were ultimately reflected in the operation.
- 3.11 In addition, OII responded to multiple consultations on issues that included:
  - advising on the scope and effects of Cross-Debarment in ongoing operations;
  - assessing potential conflicts of interest for individuals at Executing Agencies; and
  - providing input to terms of reference for external audits to be conducted on SG projects.
- 3.12 **Reports of Investigation and Advisory Notes.** As noted above, OII shares lessons learned with operational staff through ROIs and Advisory Notes. During 2014 OII shared 11 ROIs and one Advisory Note with Country Managers, Sector Managers and relevant Division Chiefs and Country Representatives. OII also prepared redacted reports of investigative findings and recommendations to share with the Ministries of Finance of two borrowing member countries. These reports are intended to help countries manage integrity risk.

### FINDINGS

During an investigation, OII found evidence that a company that had been awarded IDB-financed contracts for the construction of hospitals had misrepresented information related to its experience, the availability and experience of key personnel, and the availability of required equipment. The company had also failed to disclose to the Executing Agency that it had paid an agent, and that it intended to subcontract most of the works.

### RECOMMENDATION

OII prepared a ROI that recommended, among other things, the implementation of verification procedures by the Executing Agency during its evaluation of procurement processes. Specifically, OII recommended that, prior to contract award, the Executing Agency verify certain information provided by the company that submitted the best offer.

### RESULTS

The Executing Agency implemented the recommendation – it now contacts a sample of key personnel and equipment suppliers that bidders reference in their offers, in order to confirm their commitment and availability. This routine has helped the Executing Agency identify unqualified bidders and has saved time and money that would have been lost had the contracts been awarded on the basis of fraudulent information. OII has also received allegations of Prohibited Practices identified through this process

- 3.13 **Training for IDB Group Employees.** In 2014 OII continued its efforts to (i) increase staff awareness of the IDB Group's integrity framework and the responsibilities of IDB Group employees, Executing Agencies, beneficiaries of IDB Group financing and private sector entities; and (ii) build internal capacity to manage integrity risk in IDB Group operations.
- 3.14 IDB Group employees are one of the most important sources of the complaints that lead to investigations (see figure 7). As such it is crucial that they are aware of their reporting obligations and the preventative tools available, and that they are familiar with the Sanctions System. To increase such awareness, OII provided general integrity training for staff in the Country Office of Uruguay, the IDB Grants and Co-Financing Management Unit, and the Administrative Services and Corporate Procurement Division. It also offered such training to new IDB employees and members of the Board of Directors and held one-on-one sessions with new staff in the Operations Financial Management and Procurement Services Office.
- 3.15 OII also undertook more focused efforts intended to improve internal capacity to manage integrity risks. In partnership with the Access to Information Unit, OII developed and delivered a training module for operational staff on tools and techniques to manage integrity risk. The activity emphasized transparency and accountability as important tools for mitigating integrity risk, and for contributing to the development agenda of the IDB Group. At the training, OII presented insights from investigations, shared with staff red flags that should have prompted closer scrutiny, and discussed measures that could have helped mitigate risks. The training was offered to staff in Headquarters and the Country Offices in Bolivia, Colombia, Ecuador and Peru.

- 3.16 In addition, OII participated in a round-table with staff of the Legal Department, during which OII described how to identify certain integrity red flags and the participants discussed how to mitigate such risks during legal due diligence or negotiation of contractual conditions. Similarly, OII provided training to Operational staff in the Country Offices in Bahamas, Barbados, Guyana, Jamaica, and Trinidad and Tobago. During the training, OII shared examples of integrity red flags and mitigation measures, and discussed ways that OII and country teams could collaborate to manage integrity risks.



Maristella Aldana  
Chief, OII conducts  
a training session  
at the Country  
Office in Peru.

- 3.17 OII also provided capacity-building training specific to NSG Operations. Training on how to identify, assess and mitigate integrity risks through IDD was provided to PMU and OMJ. Training on how to assess risks presented by the use of Offshore Financial Centers was provided to MIF and IIC.
- 3.18 **Training for External Stakeholders.** To build capacity of our external partners and seek opportunities for collaboration, OII organized a workshop on Social Monitoring as a tool to curb corruption. The workshop was presented at the IDB's annual meeting with civil society organizations, and highlighted the important role that civil society and beneficiaries of programs have in supervising outputs of development projects.
- 3.19 OII also offered training to Executing Agencies of IDB-financed activities in Bolivia, Ecuador and Peru. During these trainings, OII explained the IDB Sanctions System, shared insights from investigations and discussed measures that could be adopted to reduce the likelihood of Prohibited Practices in projects implemented by the Executing Agencies. Among the risk mitigation measures discussed were: (i) enhancement of record management systems; (ii) segregation of duties; (iii) avoidance of conflicts of interest; and (iii) verification of information submitted by bidders.

Juanita Riaño discusses how to identify red flags of fraud and corruption with staff of Executing Agencies in Ecuador.

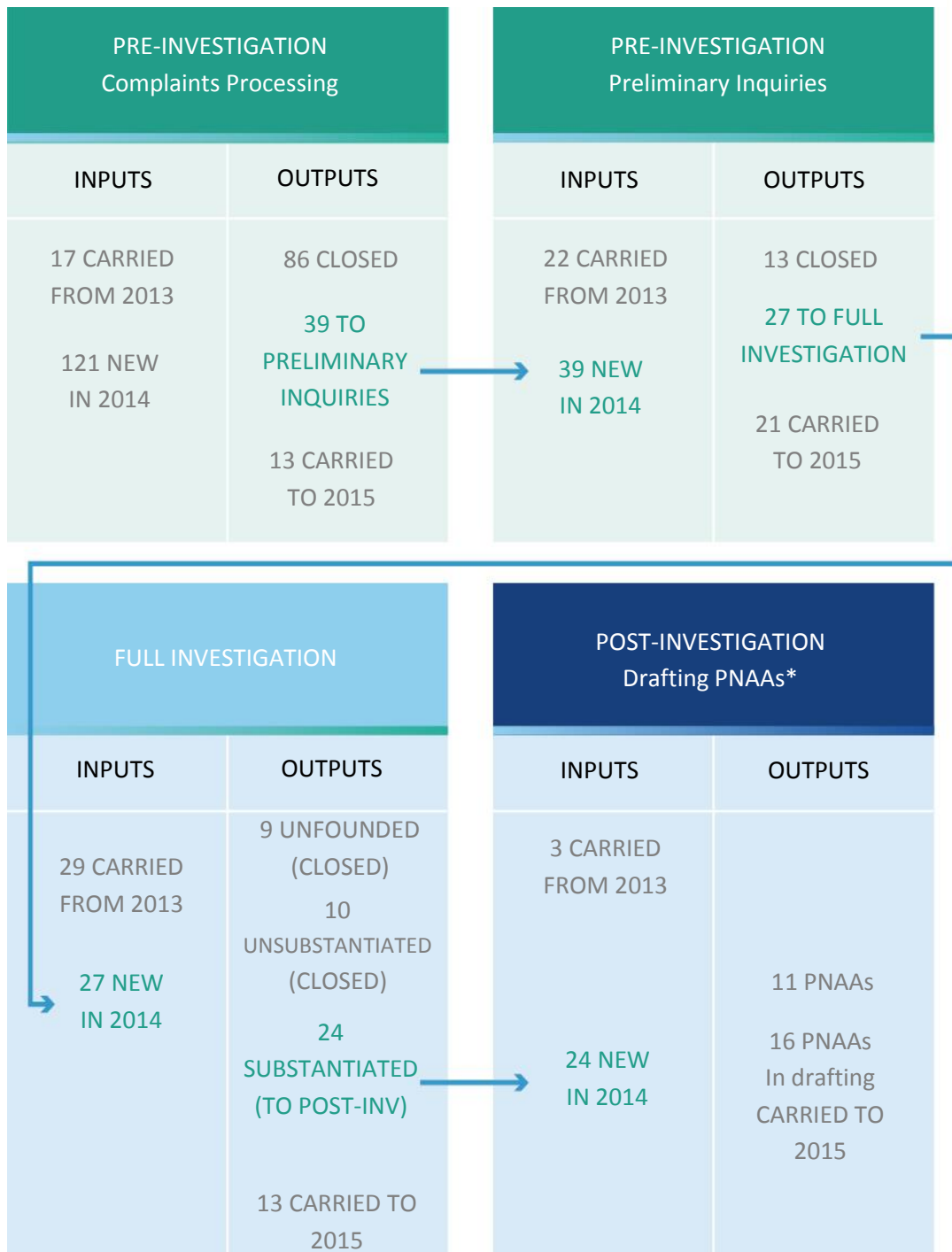


- 3.20 **Policy Development and related efforts.** In 2014, the prevention team reviewed key policies and practices, seeking opportunities for improvement. These efforts included preparation of a Technical Briefing to the Joint Boards of the IDB and the IIC regarding IDB Group Responses to International Financial and Tax Standards and Offshore Financial Centers. The preparation of this Technical Briefing provided an opportunity to refresh previous benchmarking, and consider enhancements to the approach taken to date to address the risks presented by such structures.
- 3.21 In addition, OII completed preparation of draft due diligence procedures for the Office of Outreach and Partnerships (ORP). As a result, ORP is conducting an improved process for assessing reputational risks arising from proposed partnerships, and consults with OII as required. These draft guidelines will be updated in 2015, to address issues identified by OII and ORP during 2014.
- 3.22 In coordination with the CO, OII worked with the Legal Department in the review of integrity clauses included in the model loan agreements for SG and NSG Operations. These clauses ensure that the Sanctions System has a solid contractual basis for its investigative and sanctioning activities.
- 3.23 OII also provided comments in 2014 to relevant IDB Policies, Guidelines and procedures, including the Financial Management Guidelines for IDB-financed Projects and the Sector Framework for Citizen Security and Justice.

### OII Investigative Activities

- 3.24 As described below, in 2014 OII: (i) improved the efficiency with which it manages its caseload, (ii) increased the percentage of substantiated cases and (iii) substantiated cases that were more complex.
- 3.25 **Efficiency in the management of OII's caseload.** In 2013, OII revised its internal procedures and reallocated human resources to correspond to the three investigation phases: (i) Pre-Investigations, which includes complaints processing and preliminary inquiries; (ii) Full Investigations; and (iii) Post-Investigations. This refocusing of resources allowed OII to improve the consistency and efficiency of the work done in each of these phases during 2014. The numerical results of that reorganization for 2014 are summarized in Figure 6 below.

FIGURE 6. OII's Investigative Caseload for 2014



\*The input and output columns for post-investigation/drafting PNAAs may not have the same totals, because a substantiated investigation can result in multiple PNAAs, and multiple substantiated investigations may be merged into a single PNA.



# Fraud with Potential Environmental Impact

## ALLEGATION

The Auditor General of a member country conducted an inspection of an IDB Group financed project and concluded that contractors responsible for the construction of several landfills had been over-paid for works not completed.

## RED FLAGS OF PROHIBITED PRACTICES

- Executing Agency selected but did not hire a supervision firm to oversee contracts
- Poor record keeping and internal controls within Executing Agency

## FRAUD AND COLLUSION

OII, with assistance of expert engineer, corroborated conclusions of Auditor General's report and submitted charges to the Case Officer

### FRAUD

Contractors billed the Program for works not performed

### COLLUSION

Competing contractors colluded when they agreed to coordinate offers and subcontract equipment and services to one another.



Leachate pond allegedly completed and paid in full by the Program. The contractor claimed to have lined the pond with bituminous treatment necessary for preventing hazardous waste from leaking into the soil and nearby water sources. Had the pond been used, some hazardous waste could have leaked and contaminated the soil and water table. Due to several factors, the landfill is not in use.

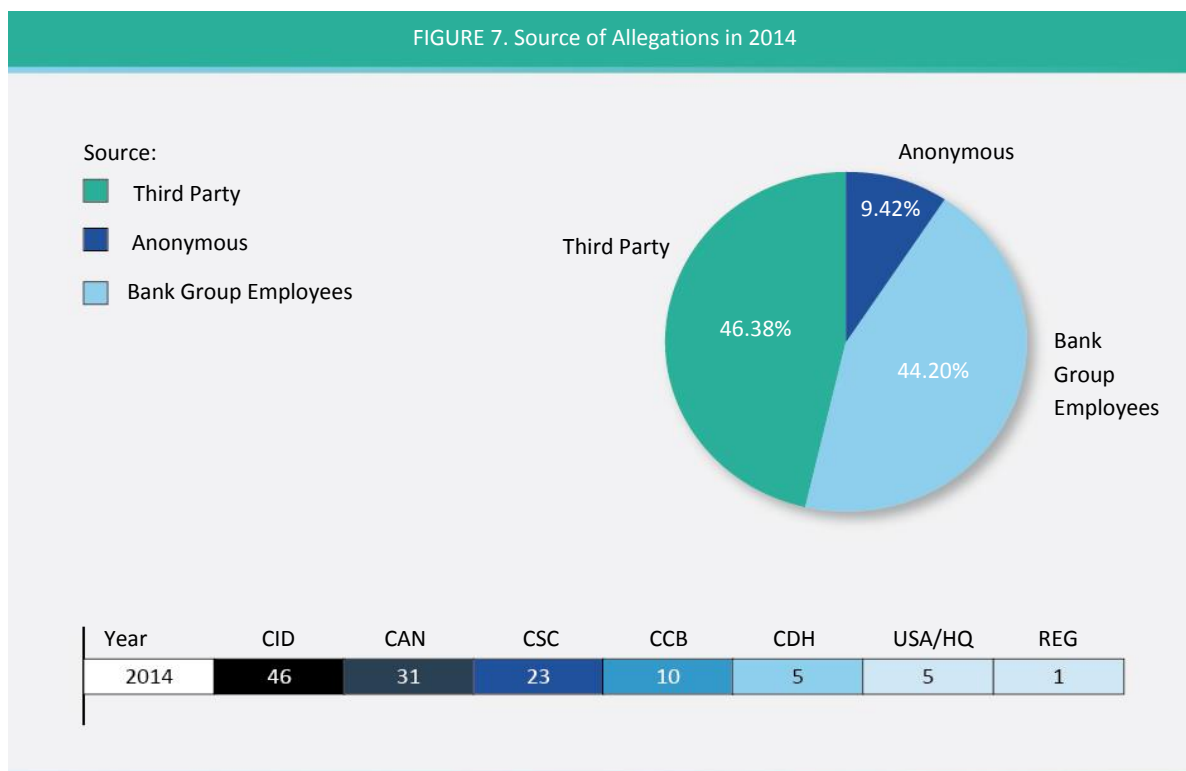
## OTHER FINDINGS

- Contractors lacked proper financial capacity and experience in landfill construction
- Executing Agency did not properly prepare designs, budget estimations and bidding documents.

## RECOMMENDATIONS

- Improve assessments of Execution Unit's capacity to manage complex programs.
- Train Execution Unit to conduct technical and financial due diligence on bidders.
- Ensure supervision firms are hired prior to commencement of works.
- Conduct supervision visits in order to monitor the progress of works, especially in remote locations.

- 3.26 **Pre-Investigations:** In 2014, OII received 121 new complaints – an average of more than two per week. As shown in Figure 7, these complaints arose from all of the regions of the IDB. As in previous years, these complaints originated overwhelmingly from third parties and Bank staff, with those two categories accounting for over 90 percent of all complaints received (see Figure 7).



- 3.27 Data from 2014 suggests efficiency gains arising from the Pre-Investigation phase, which is fulfilling its purpose of filtering out complaints that fall outside OII's mandate or otherwise do not merit full investigations. In fact, the percentage of complaints that were not converted into preliminary inquiries (69%) is generally consistent with the percentage observed in 2013 (61%) and much greater than the same percentage in 2011 and 2012 (25% on average). This filtering enables investigators to focus their efforts on high impact investigations that are more likely to be substantiated.
- 3.28 Effective management of the high volume of Pre-Investigation matters was a significant challenge for OII in 2014. To resolve bottlenecks at the Pre-Investigation phase, OII reallocated internal resources on a case-by-case basis. Investigators who were completing investigations worked with the intake unit to advance promising preliminary inquiries. Through these efforts, the intake unit kept pace with complaints and preliminary inquiries – Figure 6 shows that there were fewer complaints and preliminary inquiries pending at the close of 2014 (13 and 21, respectively) than there were at the beginning of the year (17 and 22, respectively). In addition to improving efficiency, the reallocation of resources allowed investigators to familiarize themselves with promising cases as early as possible, and facilitated the expeditious opening of full investigations.



# Training without Key Materials

## ALLEGATION

OII received allegations about possible corruption and collusion committed by three companies bidding to supply equipment for technical training. These companies would have been assisted by members of an evaluation committee.

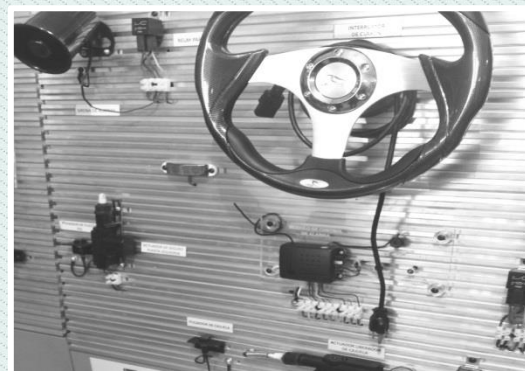
## EARLY INDICATIONS OF PROHIBITED PRACTICES

- Identical bid submissions in many aspects
- Presence of shell companies and companies with no experience
- Familial ties between the companies
- Inconsistent or inaccurate application of evaluation criteria by evaluation committee (possible corruption or favoritism)

## INVESTIGATION FINDINGS

- Certificates of delivery with signatures of public officials were manipulated to conceal breach of contract.
- Correlation of prices in offers submitted by three companies with a patterned rotation in eight different lots:

Best Offer		2nd Offer		3rd Offer
Base	+	16%	+	20%



IDB financed educational equipment for technical training.

## CHARGES SUBSTANTIATED BY OII

### FRAUD

Education materials were not delivered or were delivered months after the stated delivery date, and only after the involved parties became aware of the investigation.

### COLLUSION

Companies colluded in their offers, which reflected artificial prices and added to the cost of the program.

- 3.29 **Full Investigations.** Data from 2014 also shows efficiency gains in the Full Investigation phase. In 2014, OII completed all legacy investigations – 20 in total – that were initiated before the current investigative procedures were put in place in 2013. At the close of 2014, no full investigations were older than 15 months, the average time an investigation had been open was 97 days and only 13 investigations carried over to 2015. In comparison, at the close of 2013, OII had 29 full investigations open of which 13 were open for more than 15 months.
- 3.30 **Post-Investigations.** In 2014, OII saw a significant increase in post-investigative activities, primarily in relation to appeals. As shown in Figure 8, OII transmitted almost the same number



of PNAAs to the Case Officer as it had in 2013,<sup>6</sup> but replied to eight appeals and participated in six hearings involving ten Respondents – a significant increase in activity related to appeals. This increase was due in part to a greater number of PNAAs involving multiple Respondents, and these generated a greater number of submissions to the SNC. The increase in participation in oral hearings before the SNC demanded that OII diversify its post-investigations staffing and competences, and reallocate investigators to the Post-Investigations on a part-time basis.

FIGURE 8. Post-investigation Activities

Post-Investigation Activities		
	2013	2014
PNAAs submitted to CO	12	11 <sup>6</sup>
OII Replies	6	8
Hearings	0	6

- 3.31 **Response time.** Although progress has been made to OII's efficiency as measured by time spent on investigations, further improvements remain an important challenge, which was exacerbated in 2014 by the increased volume and complexity of full investigations and post-investigative activities. The median time spent during the Pre-Investigation and Full Investigation phases in 2014 is below.

FIGURE 9. Time Spent on Investigations at Each Investigation Phase

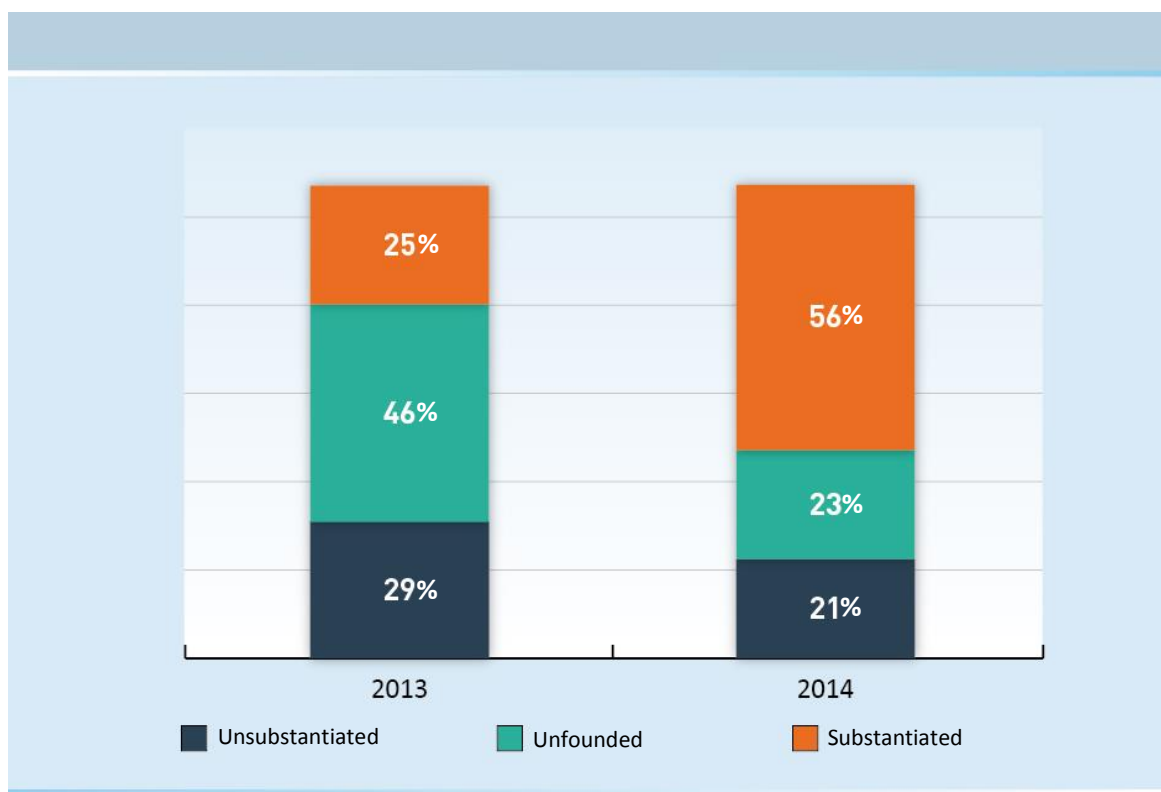
Pre-Investigation Phase	
Complaints Processing	2014
Closed	60 days
Converted to preliminary inquiry	121 days
Preliminary Inquiries	
Closed	298 days
Converted to full investigation	216 days
Full Investigations Phase	
Unfounded and unsubstantiated	234 days
Substantiated	290 days

- 3.32 OII is seeking to decrease time spent in the preliminary inquiries, through reallocation of resources, as described above. The time spent in full investigations met the 290 day target that was included as one of OII's corporate performance indicators in the context of the Bank's results based budgeting. It is worth noting that many variables extrinsic to OII, such as availability of documentation and witnesses, affect duration of investigations and that, overall, OII's performance in this area is generally consistent with its comparators.

<sup>6</sup> This does not reflect the resubmission of a case that OII previously submitted in 2013.

- 3.33 **Increased number of substantiated cases.** One of OII's most notable achievements in 2014 was the increase in substantiated cases. As reflected in Figure 10, OII's substantiation rate of 56% is a significant increase over the previous year. This suggests that OII is doing a better job of focusing its resources on cases where Prohibited Practices were more likely to be found (*i.e.*, by filtering out cases that do not merit full investigations during the Pre-Investigation phase.)

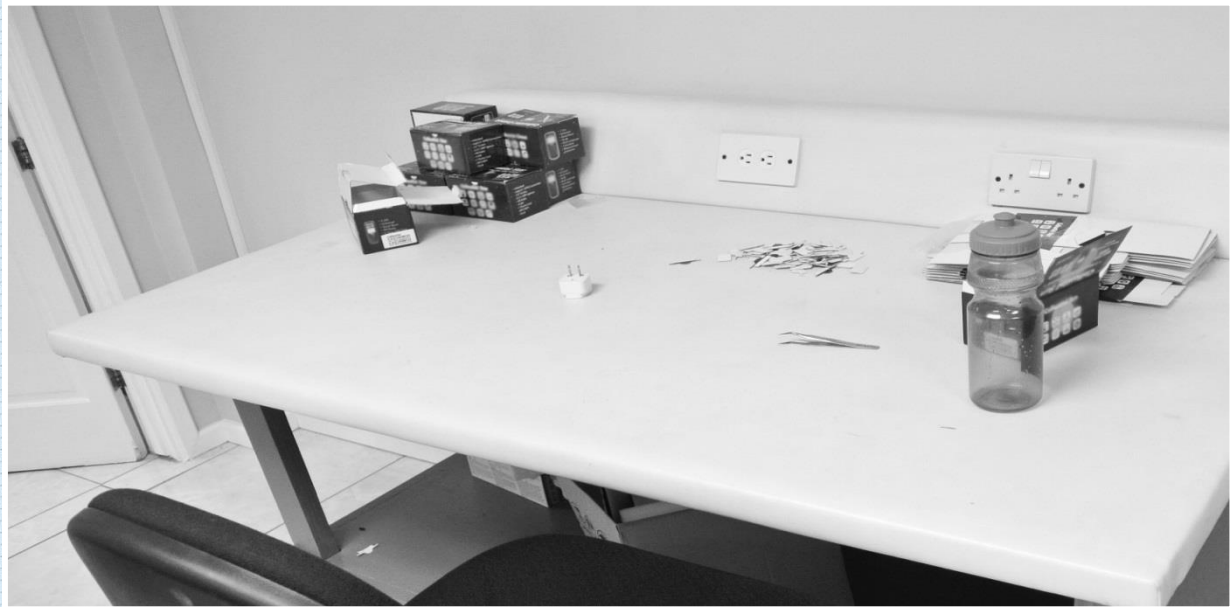
FIGURE 10. Full Investigation Outcomes 2013-2014



- 3.34 **Increased complexity of substantiated cases.** The cases that OII investigated in 2014 were more complex. All 24 substantiated cases included fraudulent practices, but in 10 of those cases other Prohibited Practices were also substantiated, including collusion (in eight cases) and corruption (in two cases). In 11 cases, the fraud took place during execution rather than at the procurement stage – a circumstance that often triggers a more complex investigation involving site visits and technical experts.<sup>7</sup> In addition, several substantiated cases identified Prohibited Practices across multiple procurement processes. One investigation covered 13 procurement processes, four bidders, their agents and representatives. Another investigation covered four procurement processes, four bidders and their representatives.

<sup>7</sup> These are also important cases, since fraud that occurs during execution results in beneficiaries not receiving contracted goods and services, and so directly impacts development outcomes.

## Fraud from Inception



Grant Recipient's "Manufacturing Facility".

### ALLEGATIONS

OII received allegations that a grant recipient had misrepresented the stated achievements of milestones needed to receive disbursements.

### EARLY INDICATIONS OF PROHIBITED PRACTICES

- Investments in workforce and production lines were not achieved as required.
- Company was unable to submit evidence of completion for most agreed milestones.

### OII SUBSTANTIATED FRAUD

- Business plan that served to obtain grant included false information.
- Start-up had not secured distributors' network and thus was later unable to sell its products.
- Company did not manufacture goods central to the project, as claimed.

## B. CASE OFFICER ACTIVITIES

- 3.35 As described in the overview, the CO reviews the PNAAs prepared by OII, and determines whether they have submitted sufficient evidence to support a finding that a Prohibited Practice occurred. If it has, the CO recommends sanctions to be imposed against Respondent(s) on behalf of the IDB Group.
- 3.36 **Notices of Administrative Action.** The CO received a total of 12 PNAAs from OII in 2014<sup>8</sup> and reviewed six of them. Based on this review, the CO issued 27 Determinations – with corresponding recommended sanctions – against Respondents.<sup>9</sup> These 27 Determinations constitute a significant increase from the 20 issued by the CO in 2013. The CO received the remaining six PNAAs in late December, and carried them over to 2015.
- 3.37 **Notification Process.** The CO has the responsibility to notify Respondents of proposed sanctions using certified mail or courier services. During 2014, the CO was able to notify 23 Respondents – 17 using courier services and six through Constructive Notice. This was an increase over 2013, when 16 Respondents were notified using courier services and two through Constructive Notice. The rate of Notice Transactions<sup>10</sup> per case doubled in 2014, from 9.6 to 19.7, showing an increased burden on the CO's Office related to delivering notice to Respondents.
- 3.38 **Sanctions Recommended.** All of the sanctions recommended by the CO during 2014 were debarments related to fraud. The recommended debarments ranged between one and 13 years, and the average recommended debarment was for seven years. This is significantly longer than the 2013 average of three years. This increase results from the fact that the PNAAs received in 2014 identified Prohibited Practices that were aggravated by additional factors, such as harm to the community and hampering of developmental objectives of projects.
- 3.39 **Sanctions Imposed.** As noted in the Overview, if a Respondent does not appeal the CO's recommended sanction to the SNC within 60 days, the CO's recommended sanctions are imposed. During 2014, 13 of the 23 Respondents that could have appealed did so. The sanctions recommended against the 10 Respondents that did not appeal became effective. Eight of those 10 sanctions met the criteria for Cross-Debarment.
- 3.40 **Response Time.** During 2014, the CO issued Determinations in 85 days, on average – an increase of 47 days compared to 2013. This is due to increased case complexity, the increased number of Respondents per case, and the different languages in which the Determinations were issued (Determinations were issued in English, French, and Spanish in accordance with the Respondent's native language).

---

<sup>8</sup> This includes the resubmission of one PNAA that OII had previously submitted in 2013.

<sup>9</sup> One PNAA can result in multiple determinations as the CO assesses the evidence against each Respondent mentioned in the PNAA and sanctions them individually, according to the merits of the case.

<sup>10</sup> "Notice Transactions" are attempts by the CO's Office to contact Respondents through various means, in order to deliver an NAA.

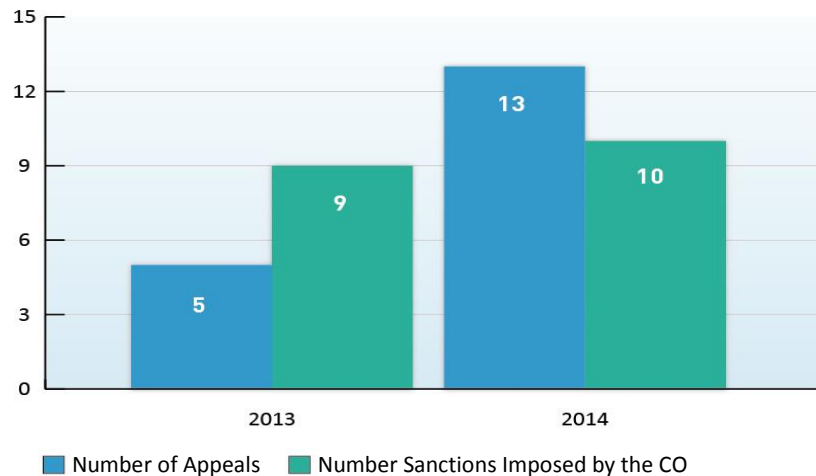
### Forged Supervision Reports in an Education Project

The IDB Group financed a program involving the construction and rehabilitation of educational facilities. The Executing Agency hired the Respondent to supervise three construction projects. The supervision contract required the Respondent to submit monthly reports detailing the progress of construction. The Respondent submitted multiple reports to the Executing Agency that contained multiple misrepresentations regarding its supervision activities and the status of the project.

OII investigated, and concluded that the allegation of fraud was substantiated. Accordingly, OII submitted a PNAA to the CO, who determined it was more likely than not that the Respondent and its legal representative committed fraud. The CO recommended five year debarment sanctions against both parties.

The CO's Determinations were not contested and the recommended sanctions were imposed. As a result of this fraud, the implementation of the program was delayed, the executing agency temporarily suspended the program, and the proposed beneficiaries – school children lacking adequate facilities – did not receive the full benefit of the IDB's program.

FIGURE 11. CO Determinations



### Fictitious Bids in a Selection Process

The IDB Group entered into a loan agreement with a member country to finance a rural development project that included the construction of some facilities. The Executing Agency conducted a selection process for the construction contract and firms A, B and C submitted bids.

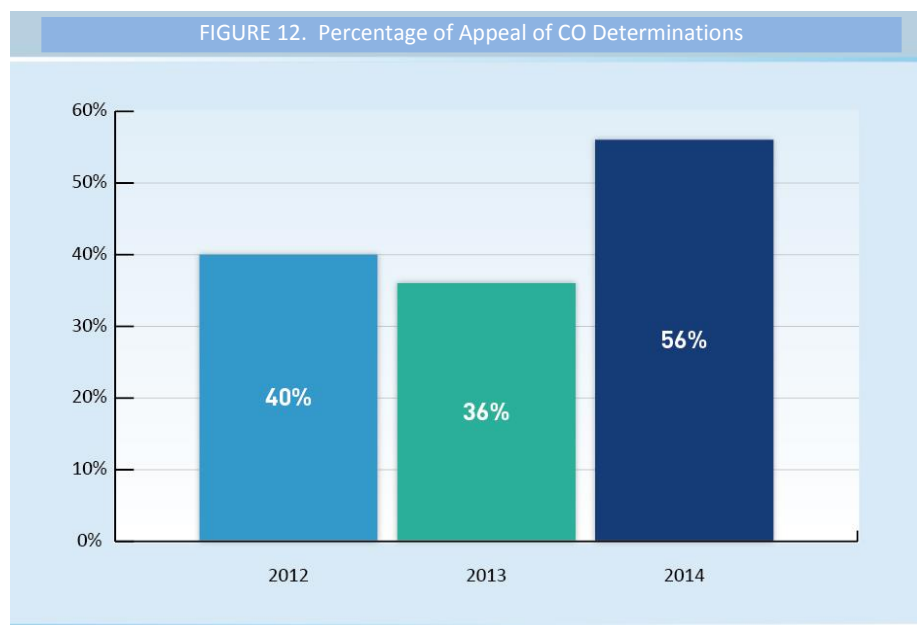
OII received an allegation that the winning bidder, firm C (the Respondent) had submitted bids on behalf of firms A and B to simulate a competitive process and be awarded the contract. OII investigated, and found that the Respondent had forged the bid documents for firms A and B, and that those companies had not participated in the selection process. Upon review of the case, the CO determined that it was more likely than not that the Respondent had committed fraud. The CO therefore issued Determinations against the Respondent and its legal representative, and recommended 13-year debarment sanctions against both parties. As a result of this fraud, the construction works were not finished, the rural community did not get access to the facilities, and the Executing Agency was forced to rescind the contract and initiate criminal proceedings against the Respondents. The CO's Determination was not contested and the recommended sanction was imposed.

## C. THE ACTIVITIES OF THE SANCTIONS COMMITTEE AND ITS SECRETARIAT

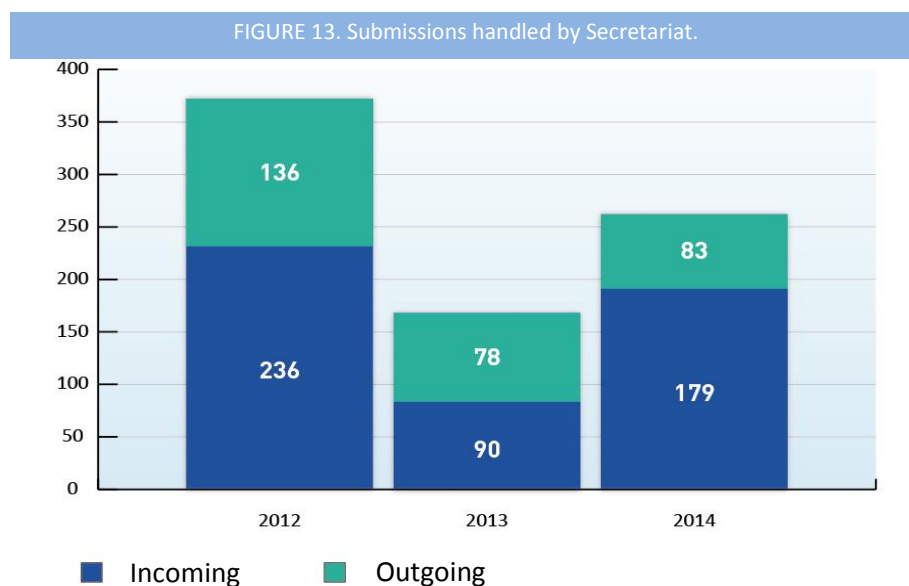
- 3.41 **Transitioning SNC Membership.** The President of the IDB appointed three new internal members of the SNC in 2014, replacing the three members whose terms had expired. The President also appointed Andrés Rigo, an external member of the SNC, as Chairperson. Mr. Rigo replaced Rafael de la Cruz, one of the internal members whose term expired in 2014.
- 3.42 **Key Milestones.** The SNC held six hearings in 2014 – the most to date – in which ten Respondents participated. In addition, the Secretariat processed its first Appeal in French and the SNC imposed a Debarment with Conditional Release for the first time. The cases reviewed by the SNC were also generally longer and more complex than in prior years.
- 3.43 **Opposition to Temporary Suspension.** The SNC held a hearing in early 2014 for an Opposition to a Temporary Suspension that had been presented in 2013. During the hearing, the Respondent withdrew its Opposition and accepted the Temporary Suspension as imposed by the CO.
- 3.44 **Appeals Processed.** The Secretariat processed 15 appeals from Respondents in 2014; all of them related to fraud. Two of these were filed in late 2013, while the remaining 13 were presented in 2014. The SNC decided nine of these cases in 2014. Of the remaining six, four cases matured late in the year<sup>11</sup> and will be decided in the first quarter of 2015. The last two cases were pending party submissions at the end of 2014, and will mature in 2015.
- 3.45 As shown in Figure 12, the percentage of appeals of CO Determinations increased in 2014 in comparison to 2013 and 2012.

<sup>11</sup> An appeal reaches maturity when all submissions have been presented by the parties and the case is ready to be decided by the SNC.



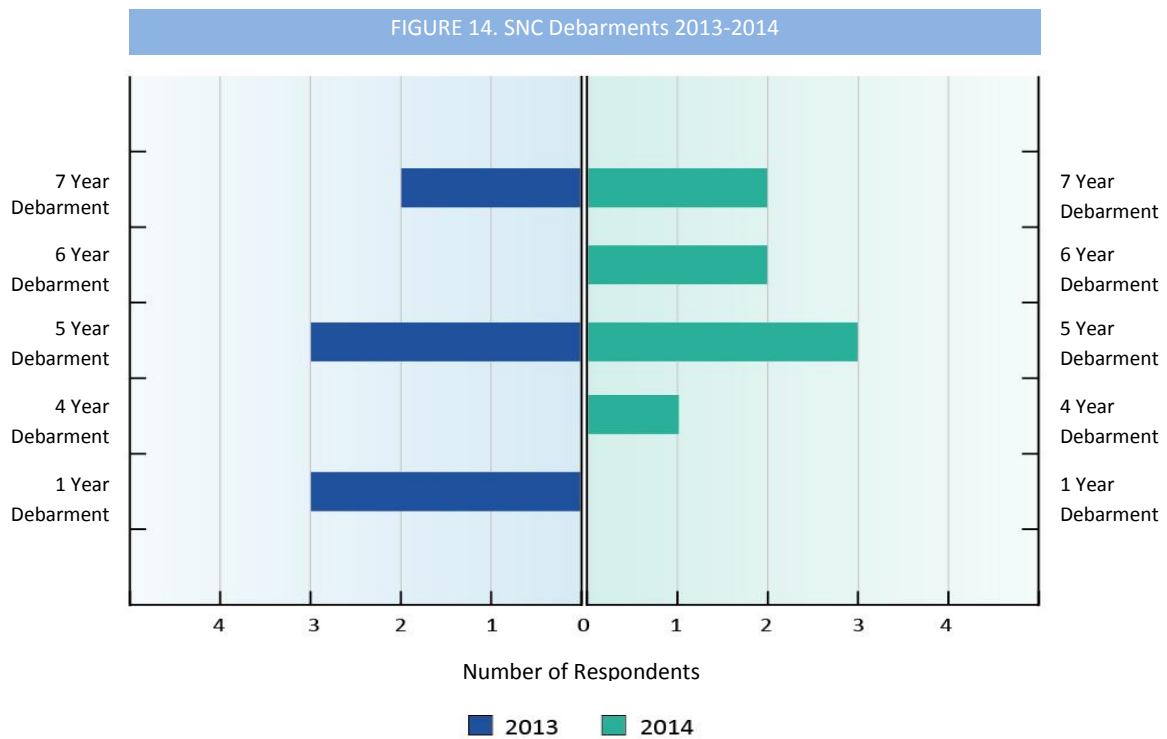


- 3.46 **SNC Secretariat's Outputs.** During 2014, the Secretariat received approximately 179 submissions, not including consultations from external and internal stakeholders, such as the Legal Department and other MDBs, as well as *ad hoc* submissions by parties, while drafting and referring over 83 communications to OII and Respondents.



- 3.47 The Secretariat was in charge of the logistic and substantive arrangements for the hearings' proper execution, drafting applicable rules, preparing case materials for the SNC, as well as handling all party communications in regards to witnesses and other relevant issues.
- 3.48 **Sanctions.** The SNC issued Decisions for nine appeals, imposing a sanction in eight of them. The nature of the sanctions imposed is summarized in Figure 14 below. All sanctions issued met the requirements for recognition under the Cross-debarment Agreement. As the administrator of the list of Sanctioned Firms and Individuals, the Secretariat published the 18 sanctions (10 issued by the CO and eight issued by the SNC) imposed by the Sanctions System, and 65

sanctions that were imposed by other MDBs and recognized under the Cross-debarment Agreement.



### 3.49 Innovation in Sanctions



For the first time, the SNC imposed a debarment with conditional release.



#### Kickback Scheme

A beneficiary of an IDB Group technical cooperation committed fraud when it submitted invoices reflecting payments made to several consultants. These invoices were false, because they did not reflect that those consultants had been required to kick back a portion of the fees to the beneficiary.

The SNC sanctioned the beneficiary with a debarment with conditional release upon fulfillment of the following conditions: (i) financial restitution; and (ii) creation of an anti-corruption and compliance system. The sanction was communicated to the MDBs that are parties to the Cross-Debarment Agreement for their consideration.

#### D. COLLABORATION WITH MULTILATERAL DEVELOPMENT BANKS AND OTHER STAKEHOLDERS

- 3.50 OII, the CO and the SNC all have a mandate to reach out to comparator institutions and other stakeholders. Through these efforts, they seek to collaborate with external parties, communicate about their work and generally increase the impact of their efforts. In 2014, these outreach efforts included collaboration with other MDBs, IFIs and other parallel organizations and offices. They also communicated with the private sector, academia, and the legal community.
- 3.51 OII participated at the **Private Sector Conference on Integrity** hosted by the ADB where OII contributed a comparative analysis of integrity contractual provisions used by the MDBs as well as case studies to discuss IDD challenges. It also participated at the **Compliance Summit** hosted by the EIB, which offered an opportunity to benchmark on policies on the use of OFCs in private sector operations, and met with the **Heads of Integrity** of the ADB, AfDB, EBRD, EIB and WB to discuss several issues of common interest including how to develop tools for further exchange of information. OII also benefited from the collaboration of the ADB, which provided a week-long training as well as manuals and materials on a proactive prevention tool related to projects in execution. OII developed, together with the WB, a training on investigative techniques that was offered to investigators of both institutions. It also provided support to **CABEI and CDB** on their efforts to develop an anti-corruption framework. Several OII investigators attended the **Conference of International Investigators** hosted by OLAF, which gathered over 100 investigators from international organization and included training on investigative techniques as well as many discussion panels on relevant topics.
- 3.52 **Cooperation Agreements.** In May 2014 the Anti-corruption Policy Committee (ACPC) of the IDB authorized OII to negotiate agreements for the exchange of information and cooperation in areas of common interest with government authorities and international organizations with similar mandates and common goals, in particular with regard to the detection, substantiation and prevention of fraud and corruption. Based on this authority, OII has entered in cooperation agreements with two other international organizations and an anti-trust authority in the region, investigating a case in which OII has a common interest.
- 3.53 **Negotiations with donors.** OII worked closely with ORP and other Bank Departments in the negotiation of agreements with donors, including one of IDB's leading donors. OII's contributions were oriented to provide assurances to donors about the adequacy of IDB's framework to prevent and combat fraud and corruption.

- 3.54 **Partners in Development.** OII and the CO participated in international conferences of engineering organizations, in Bolivia and Panama, respectively. Both conferences encouraged engineers operating in Latin America and around the globe to start a conversation about governance challenges, and emphasized the importance for the engineering community to operate with the highest ethical standards, free from fraud and corruption.
- 3.55 **Collaboration with MDBs.** In November 2014, the SNC hosted a two-day “Meeting of the MDBs’ Sanctions Appeals Bodies”. The Working Session was chaired by the SNC Chairperson and was attended by members of Sanctions Appeals Bodies of the AfDB, the ADB, the EBRD, the WB Group, and the Global Fund, as well as their Secretariats. During the meeting, the participants discussed the challenges they face and real case studies involving issues of common interest, furthering efforts for harmonization.
- 3.56 **Compliance professionals and legal community.** Staff from OII, the CO and the SNC actively participated in a number of conferences and events targeting compliance professionals and the legal community that practices in the area of international bribery. These events included an Anti-Corruption Summit in Brazil, the International Bar Association, “12<sup>th</sup> Annual IDA Anti-Corruption Conference” in Paris, France, the “World Bribery & Corruption Compliance Forum 2014” in London, England, the “Anti-Corruption Conference” by the American Conference Institute in Florida, and the “American Bar Association Fall Meeting” in Buenos Aires, Argentina. OII staff also moderated and participated in an event sponsored by the American Bar Association regarding “Anti-Corruption Efforts in the Caribbean”.
- 3.57 **Academia:** Staff from OII, the CO and the SNC also participated in conferences, symposia and lectures at different universities, including “Understanding and Taming Public and Private Corruption in the 21st Century” at Osgoode Hall Law School in Toronto, Canada; “Promoting Accountability of IFIs for Better Development” at Duke University’s Sanford School of Public Policy; and “Institutional Capacity, Corruption and Development” at the University of South Carolina School of Law.
- 3.58 **International Anticorruption Day.** OII, the CO and the SNC, in collaboration with the Institutional Capacity of the State Division and the External Relations Department, supported the Caribbean Country Department in the organization of the First Regional Ministerial Meeting on Transparency and Integrity in the Caribbean, in Miami. Nine ministers from the Caribbean assisted to the event and actively participated in discussion related to Fiscal Transparency, Competitiveness and transparency, and challenges and opportunities for transparency and integrity in the Caribbean.