The background of the cover is a photograph of a dirt road in a rural village. The road is paved with cobblestones and runs through a row of simple, two-story buildings with mud-brick walls and thatched roofs. Some buildings have colorful graffiti. In the distance, there are rolling hills and a large, snow-capped mountain range under a blue sky with scattered white clouds. A utility pole with power lines is visible on the right side of the road.

2021 Annual Report
**OFFICE OF INSTITUTIONAL INTEGRITY
AND SANCTIONS SYSTEM**



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2021 Annual Report

OFFICE OF INSTITUTIONAL INTEGRITY AND SANCTIONS SYSTEM



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ACRONYMS

ADB	Asian Development Bank
AfDB	African Development Bank
AML/CFT	Anti-Money Laundering/Combating the Financing of Terrorism
AUG	Office of the Executive Auditor
EBRD	European Bank for Reconstruction and Development
EA	Executing Agency
EIB	European Investment Bank
FMP	Financial Management and Procurement Services
IDB	Inter-American Development Bank
IDD	Integrity Due Diligence
IFI	International Financial Institution
IIC	Inter-American Investment Corporation (“IDB Invest”)
IT	Information Technology
KIC	Knowledge, Innovation, and Communications Sector (KIC)
LAC	Latin America and the Caribbean
MDB	Multilateral Development Bank
NRA	Negotiated Resolution Agreement
NSG	Non-Sovereign Guaranteed
OII	Office of Institutional Integrity
ORP	Office of Outreach and Partnerships
PCR	Project Completion Report
RMG	Office of Risk Management
SG	Sovereign Guaranteed
SLA	Service Level Agreement
SNC	Sanctions Committee
SO	Sanctions Officer
SOC	Statement(s) of Charges and Evidence
WBG	World Bank Group





Preface

by Mauricio Claver-Carone, IDB President



Anti-Corruption Efforts and Integrity Key to the Road to Recovery

The COVID-19 pandemic has had significant economic and social repercussions in Latin America and the Caribbean, and it has amplified preexisting development gaps in the region. To assist member countries and clients in overcoming these unprecedented challenges, the IDB Group has been developing rapid and innovative solutions, while taking a strong stance against corruption and other integrity violations.

Prohibited practices, such as fraud and corruption, negatively impact the most vulnerable, hamper economic systems, weaken democracies, exacerbate inequality, and reduce access to essential services. The need for robust strategies and actions to promote integrity and transparency is now more crucial than ever and is a priority in the IDB Group's Vision 2025 — the blueprint for accelerating our region's recovery and for fostering more sustainable and inclusive economic growth.

In 2021, the IDB commemorated 20 years since the adoption of its Anti-Corruption Framework. The IDB Group is committed to advancing its actions by focusing on reforms aimed at improving the quality of institutions and regulations, implementing accountability mechanisms, and reinforcing the role of agencies responsible for promoting public and private sector integrity. Additionally, the IDB Group will continue to step up the fight against corruption through its leadership and alignment with international transparency and integrity-related standards, promoting good governance and public management openness in line with our region's needs.

Throughout the pandemic, the Office of Institutional Integrity (OII) has been ensuring

that the IDB Group's ongoing COVID-19 recovery efforts encompass a proactive risk management strategy that balances the need to take action with the priority of safeguarding transparency. OII has focused on giving advice to the IDB Group's operational staff on preventing and mitigating the heightened integrity risks associated with the COVID-19 pandemic and is now turning its attention to helping ensure that the public and private sectors in the region can build back with integrity as a core element of their recovery. Because integrity requires collective action, OII continues to work with different stakeholders to build their capacity to manage integrity risks and reputational impact.

By investigating and sanctioning those who have engaged in prohibited practices, OII and the Sanctions System reinforce our zero-tolerance message. They are essential enforcement tools to address integrity shortfalls, contributing to raising the level of public and private transparency and compliance in local and regional markets across Latin America and the Caribbean.

OII and the Sanctions System also continue to intensify cooperation and harmonization efforts with their Multilateral Development Bank (MDB) counterparts to ensure that the tools and approaches to managing these risks are consistent among MDBs, maximizing the exchange of information and taking stock of best practices. Increased cooperation between OII and national authorities also has been key to expanding the reach of our integrity efforts.

In a context in which resources are scarce and integrity risks are complex, the IDB Group is committed to constantly innovating and bringing the highest integrity and transparency standards to support our public and private sector clients on their road to recovery.

Mauricio Claver-Carone

President of the Inter-American Development Bank





1. INTRODUCTION

A. Two Decades of a Powerful Commitment to Anti-Corruption

1.1 In 2021, OII and the Sanctions System commemorated 20 years since the approval by the Board of Directors of the IDB’s anti-corruption framework: **“Strengthening a Systemic Framework Against Corruption for the Inter-American Development Bank”** (the “Systemic Framework”). The Systemic Framework emphasizes the need to consider integrity in the design and execution of operations and recognizes the importance of having a mechanism to address allegations of fraud and corruption in IDB-financed activities.

1.2 Since the adoption of the Systemic Framework, the IDB Group has developed an extensive set of policies, best practices, and specialized mechanisms to address potential weaknesses and strive for IDB Group-financed programs that are free from prohibited practices. These best practices have positioned the IDB Group as one of the leaders, along with other Multilateral Development Banks (MDBs), in transparency and integrity standards.

1.3 An independent system to address allegations of fraud and corruption. The Systemic Framework also recognized the need for a mechanism to address allegations of fraud and corruption in IDB Group-financed activities. In 2003, OII was created to receive and investigate such allegations.¹ Subsequently, in 2011, the IDB Group created the current Sanctions System, comprised of the Sanctions Officer² and the Sanctions Committee, to adjudicate cases resulting from OII’s investigations.

1. Inter-American Development Bank, Creation of the Office of Institutional Integrity (GA-214), (November 7, 2003).

2.The position was originally known as the Case Officer.

A 360-Degree Integrity Approach



1.4 The most recent developments under the Systemic Framework include those summarized below.

1.5 A 360-Degree Integrity Approach. The Office of Institutional Integrity (OII) and the Sanctions System have adopted a coordinated 360-degree approach to protect and add value to IDB Group-financed activities. This approach safeguards Sovereign Guaranteed (SG) and Non-Sovereign Guaranteed (NSG) operations, as well as corporate projects and services, throughout the complete transaction cycle by (i) developing and strengthening actions that prevent and mitigate integrity risks and (ii) taking appropriate enforcement actions when prohibited practices occur.

1.6 A Proactive Approach to Address Integrity Risks in IDB Group-Financed Operations. The Systemic Framework emphasizes the importance of prevention in the fight against corruption.

“ALLEGATIONS OF CORRUPTION SHOULD NOT PARALYZE THE BANK’S ASSISTANCE, FOR THEN THE BANK WOULD BE CONTRIBUTING TO WORSENING THE CONDITIONS FOR ECONOMIC AND SOCIAL DEVELOPMENT. INSTEAD, ANY POTENTIAL CONCERNS WILL RESULT IN A RIGOROUS RISK ANALYSIS AND THE ESTABLISHMENT OF PREVENTIVE CONTROLS IN BANK-FINANCED PROJECTS.”

--SYSTEMIC FRAMEWORK.

1.7 The importance of prevention has been reinforced by member countries; for example, in the recent G7 Ministers’ Statement on the UN General Assembly Special Session Against Corruption issued on June 2, 2021, the G7 commits to “[...] work to ensure there are strong measures in place to prevent corruption and other forms of illicit finance to protect our financial centers and deny safe haven to the proceeds of crime. We will support other countries’ efforts to do the same, including anti-corruption safeguards and transparency mechanisms in the delivery of humanitarian aid to ensure that aid, required in times of natural disaster and other emergencies including the COVID-19 pandemic, reaches intended beneficiaries. We also reaffirm our commitment to putting in place measures that promote transparency in the beneficial ownership of legal entities. We further commit to promoting the effective implementation of the Financial Action Task Force (FATF) Standards, the global standard setter for combatting money laundering, terrorist financing and proliferation finance.”³

1.8 The focus of OII’s preventive function is to ensure that the IDB Group complies with its fiduciary role to prevent or minimize the adverse effects of fraud and corruption, such as financial losses and potential reputational damage, and that the IDB Group is perceived as an agent of change in the region. In the past five years, OII has stepped up its proactive engagement with the IDB Group’s operational teams and Management to address integrity risks in IDB Group-financed activities. OII’s advisory services on integrity risk management have increased significantly, not only in numbers but also in complexity. This is the result of greater awareness at all levels of the importance of responding to risk indicators at the earliest opportunity and

3. UN General Assembly, Special Session Against Corruption, Statement Release by the Office of the Spokesperson of the G7 Ministers of Canada, France, Germany, Italy, Japan, the United Kingdom and the United States of America, recommendations, numeral 1 (June 2, 2021). The statement is available at the following link: <https://www.state.gov/g7-ministers-statement-on-the-un-general-assembly-special-session-against-corruption/>

complying with the requirements of IDB Group policies, as well as best practices developed throughout OII's experience.

1.9 In Sovereign Guaranteed (SG) operations, OII pursues an integrated risk management strategy that serves as a tool to add value to the Bank's contribution to development outcomes. It has done so by (i) extracting lessons from investigations, consultations, and analyses to inform programs' risk management strategies throughout the project cycle, (ii) building capacity of executing agencies and other stakeholders to manage integrity risks, and (iii) incorporating integrity risk management elements into the IDB's policies and guidelines.

1.10 In Non-Sovereign Guaranteed (NSG) operations, Integrity Due Diligence (IDD) has evolved to be a central element of IDB Invest project evaluations and one that frequently impacts other risks, including credit, environmental, and corporate governance. OII, in coordination with IDB Invest, has (i) strengthened risk management tools for operations throughout the project cycle, including projects in the supervision (execution) phase, and (ii) developed policies and procedures to ensure adequate controls and monitoring of projects. These efforts built on significant structural reforms that were adopted in connection with the 2016 reorganization ("merge-out") relating to the IDB Group's NSG operations, including the adoption of the Integrity Framework.

1.11 A Framework for Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT) for the IDB. Building upon integrity risk prevention efforts and OII's expertise, and consistent with the 360-degree approach, an AML/CFT Framework formalizing the IDB's commitment to the management of risks related to money laundering and terrorist financing was approved in May 2018. The AML/CFT Framework, which applies to the IDB's operational and corporate transactions,

ensures that the IDB has AML/CFT controls that meet industry best practices, correspond to the risks faced by the IDB, and consider its legal status as an international financial institution.

1.12 Investigations and Sanctions. Recently, OII has made a concerted and strategic effort to pivot from purely reactive complaint-centric approaches for investigations to a hybrid model that proactively seeks out indicators of prohibited practices, resulting in greater vigilance and higher-impact investigations, some of which have resulted in high-profile negotiated resolution agreements (NRAs) and sanctions. These efforts gained visibility including when OII and the IDB Group were recognized by the Global Investigations Review as the 2020 Emerging Enforcer of the Year. In addition, these efforts have allowed for a greater focus on the detection and remediation of systemic integrity risks in the region.

1.13 The Sanctions System has become an agent of change for integrity in the region and in the different sectors in which the IDB Group is fostering development. The Office of the Sanctions Officer (SO) has enhanced its role by becoming a key player in the implementation of NRAs and by using compliance programs as a part of sanction remedies. Additionally, the Sanctions Committee (SNC) has increased the number of hearings conducted based on a greater number of requests submitted by investigated parties often represented by larger law firms. As an improvement in the transparency of the Sanctions System, the SO and SNC have been sharing knowledge with different stakeholders by publishing synopses of the decisions taken in the cases they consider.

1.14 Harmonization and Cooperation with International Financial Institutions (IFIs) and National Authorities. Since 2006, the IDB Group has been working with other

IFIs to harmonize the elements of an effective strategy to fight corruption and fraud⁴ and to share and discuss best practices. The harmonization efforts were further strengthened by the 2010 Agreement on Mutual Enforcement of Debarment Decisions (Cross-Debarment Agreement).⁵ The Cross-Debarment Agreement allows for parties sanctioned by one MDB to be excluded from participating in activities financed by all other MDBs who are parties to the agreement. Cross-debarment raises the cost and reputational impact of engaging in corruption and other prohibited practices, generating a strong deterrent effect. OII also has developed broad cooperation with counterpart national authorities and international agencies to coordinate investigative efforts (see Appendix III).

4. In 2006, the leaders of the African Development Bank Group, the Asian Development Bank, the European Bank for Reconstruction and Development, the European Investment Bank Group, the International Monetary Fund, the Inter-American Development Bank Group, and the World Bank Group signed the “Uniform Framework for Preventing and Combating Fraud and Corruption.”

5. The Agreement for Mutual Enforcement of Debarment Decisions was entered into by and between the African Development Bank Group, the Asian Development Bank, the European Bank for Reconstruction and Development, the World Bank Group, and the Inter-American Development Bank Group.

B. Our Performance in 2021 at a Glance



**ADVICE
TO SOVEREIGN
GUARANTEED
OPERATIONS**

295
consultations

8 Reports of
Investigations
and Advisory Notes

2
Integrity Risk
Reviews

27
trainings

12
Integrity bulletins



**INTEGRITY
DUE DILIGENCE
SUPPORT**

1,216
consultations
from IDB Invest

164
consultations
from IDB Lab

10
consultations
from ORP

8
trainings



INVESTIGATIONS

147
active complaints,
118 processed

36 preliminary
investigations,
11 processed

27
full investigations,
10 completed

92%
of all investigations
are high impact



SANCTIONS

38
Determinations by
the Sanctions Officer

10
Decisions by the
Sanctions Committee

8 effective Debarment
Decisions

117
Debarments imposed
by MDBs recognized
(cross-debarred)

1.15 The following are some important highlights and trends of the work by OII and the Sanctions System during the year.

In 2021, OII:

- **Continued to emphasize prevention and integrity risk management.**
 - Addressed a record number of 295 consultations on SG projects, representing an increase of 28% vs. 2020. This growth illustrates a broadening culture of consultation, prevention, and recognition of the importance of integrity risk management.
 - Responded to a record 1,216 IDB Invest project consultations in 2021, including a 211% increase in consultations related to operations in supervision (execution), which resulted from improved integrity risk monitoring.
 - Carried out the first-ever integrity risk assessment of IDB Lab operations, and delivered recommendations and proposed updated guidelines to IDB Lab.
- **Increased its efforts to strengthen the institutional capacity of executing agencies and project teams to manage integrity risks,** delivering 34 training and capacity-building sessions — a 40% increase over 2020.
- **Reached a record-high of 92% of its investigations classified as “high impact”,** representing successful prioritization of matters involving systemic risks, and reached a 94% favorable decision rate.
- **Continued to broaden its cooperation with other agencies,** signing two new agreements with international organizations and two with national authorities, including its first with a U.S. entity.

-
- **The SO issued 38 Determinations and tracked and reviewed an increasing number of integrity compliance programs** as an element of sanctions decisions or settlements (NRAs). These programs contribute to the creation of a culture of compliance and reform of private sector companies, and significantly differ in size and scope, including SMEs and large firms operating in different industries and continents.
 - **The SNC undertook an increased caseload with its new chairperson and membership**, issuing 10 Decisions and holding a record number of hearings.

1.16 Use of Resources/Efficiency. In 2021, OII continued to respond to the increased demand for its services with only a very slight increase in its labor force (+1.2 FTEs vs. 2020), demonstrating a high level of efficiency (see Figure 1).⁶ OII fully utilized its budgeted resources, and continued to provide support to IDB Invest and IDB Lab through Service Level Agreements with each.

1.17 In the case of the SO and the SNC, the additional staffing resources received in 2021 enabled the SNC and SO teams to ensure that cases were carefully reviewed within the expected timeframes.

1.18 The calculation of work products of the SO includes for the first time actions taken concerning Compliance Oversight as well as Case Synopses for publication. Figure 2 reflects the addition of these products.

6. 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.

Figure 1. **OII's Efficiency: Products/Year vs. FTEs (2018-2021)**

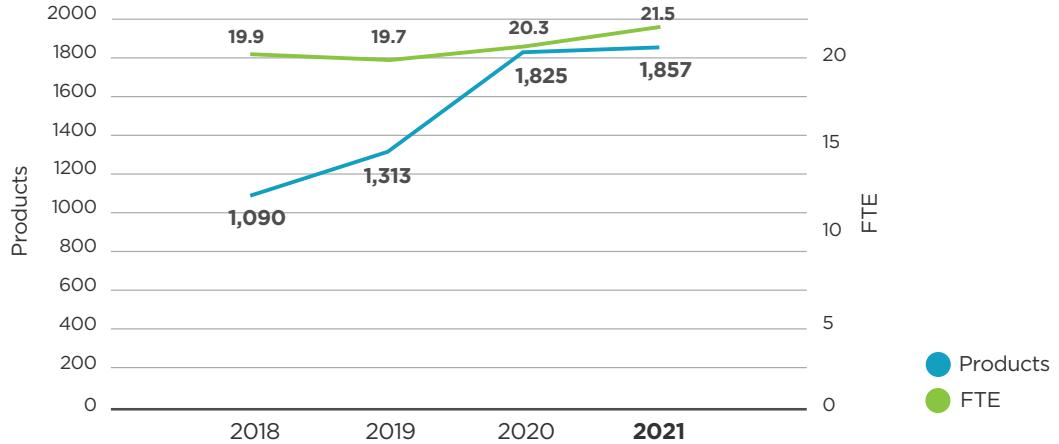
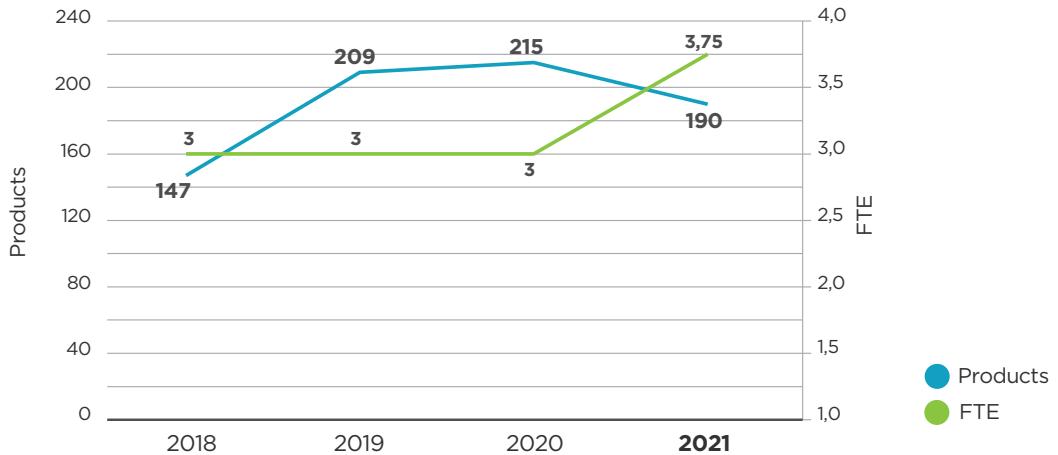


Figure 2. **SO's Efficiency: Products/Year vs. FTEs (2018-2021)**



1.19 In 2021, the number of Case Synopses publications doubled compared to the two preceding years. With respect to impact on Compliance Oversight, in 2021 there was an increased number of submissions by Respondents and Monitors and an increased number of interactions to assess the quality of compliance actions taken by the parties. The compliance oversight process has steadily grown both in volume and complexity, and therefore, the Office of the SO has updated its approach to reporting work products.⁷

7. Prior to 2021, the SO's products consisted of the following: Notices, Records to File, Determinations, actions concerning compliance oversight, and summaries of cases for publication. As of 2021, the Office of the Sanctions Officer will include going forward and retroactively to 2019, actions concerning compliance oversight and summaries of cases for publication as work products. The workforce is measured by the Full-Time Equivalent (FTE) of personnel (staff or consultants) devoted to these products.



2. PREVENTION RESULTS



2.1 In 2021, integrity risks for the Bank's operations remained heightened. Factors such as the economic growth deceleration in the region, supply chain disruptions, and the rapid mobilization of resources to mitigate the effects of the COVID-19 pandemic created potential opportunities for corruption and other integrity violations to occur.

2.2 In this context, OII focused on increasing its advice to the IDB Group's operational and corporate teams to adequately manage integrity risks and mitigate possible negative impacts on the IDB Group's and programs' reputation. OII also continued its efforts to develop and promote the implementation of best practices and approaches to deter the occurrence of prohibited practices in IDB Group-financed activities and contribute to strengthening integrity across the region.

A. Advice to Sovereign Guaranteed Operations

2.3 To manage integrity risks in SG operations, OII focuses on identifying and correcting weaknesses and vulnerabilities that could allow members of executing agencies, bidders, suppliers, contractors, consultants, or other participants in IDB-financed operations to engage in prohibited practices or unethical behavior.

2.4 Consultations on SG Operations. In 2021, the demand for OII's advice to prevent or mitigate integrity risks and their reputational impact on IDB-financed projects continued growing on par with an increase in the complexity of the issues involved. OII responded to 295 consultations, representing an increase of 28% compared to 2020.

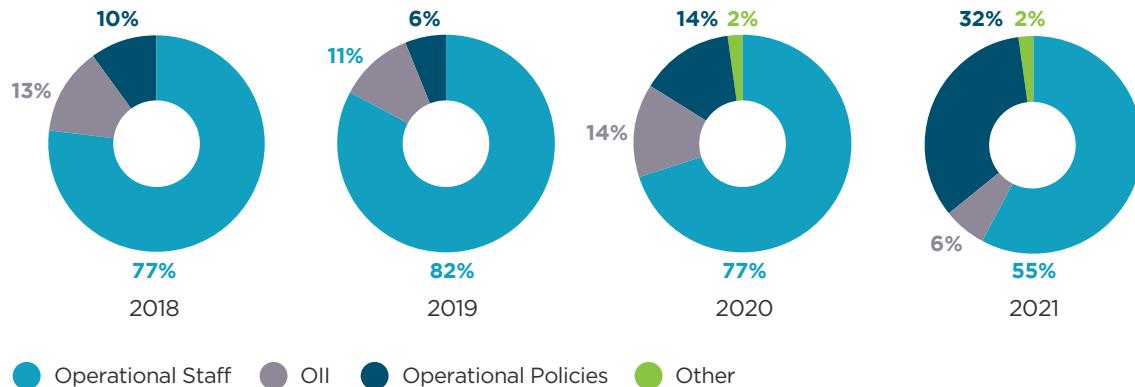
2.5 The types of consultations can be categorized as follows: (i) guidance to project teams and managers on how to best assess and mitigate integrity risks and reputational impact; (ii) proactive identification of integrity risk indicators by OII that require mitigation or SG preventive inputs; and (iii) advice on compliance with the Bank’s operational policies related to integrity, or in response to such policy requirements.

2.6 Figure 3 shows the distribution of consultations by trigger in 2021. This mimics the distribution of recent years, continuing to illustrate recognition by IDB project teams, directly or based on consultations received from executing agencies, of the importance of addressing integrity risks as part of the project’s general risk management. The data also show greater consistency in complying with the IDB’s policies that require consultations to OII in a growing number of scenarios. This trend is explained by OII’s awareness-raising efforts to ensure that project teams reflect integrity-related lessons in Project Completion Reports (PCRs)⁸ and meet the specific requirements in the guidelines for Bank-executed operations to assess integrity risk indicators. The awareness-raising efforts were undertaken in collaboration with the Vice-Presidency for Sectors (VPS) and Country Departments.

2.7 In addition to ensuring compliance with the applicable IDB policies, OII was most frequently consulted on: (i) the assessment of situations that could negatively impact the Bank’s reputation; (ii) the analysis of integrity history, for example, of executing agencies and contractors, that could affect the implementation of activities financed by the Bank; and (iii) the assessment and mitigation of indicators of integrity red flags (see Figure 4 and Case Study 1).

8. Observation and Management action plan included in the audit report, Management of Integrity Risk in Sovereign Guaranteed (SG) Operations, issued by the IDB’s Office of the Executive Auditor in July 2020.

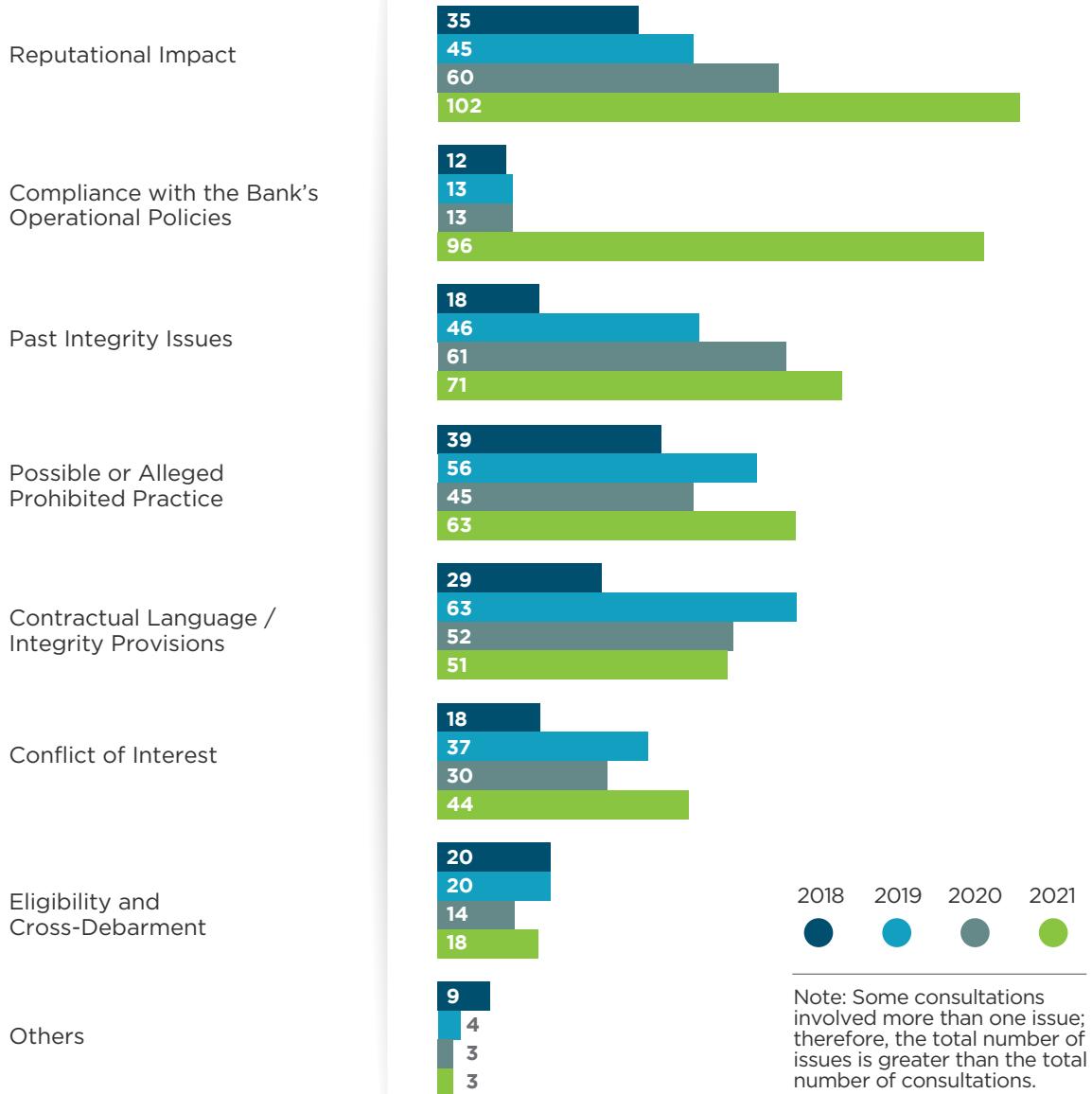
Figure 3. **Consultations by Trigger (2018-2021)**



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

2.8 Operations related to the IDB's support to member countries in addressing the adverse effects of the COVID-19 pandemic continued to be a priority. In 2021 consultations directly related to such support represented nine percent of OII's SG integrity risk management advice (a decrease from 22% reached in 2020).

Figure 4. **Issues Addressed in SG Consultations (2018-2021)**





| Case Study 1

Advice on Integrity and Reputational Impact of a National Investigation

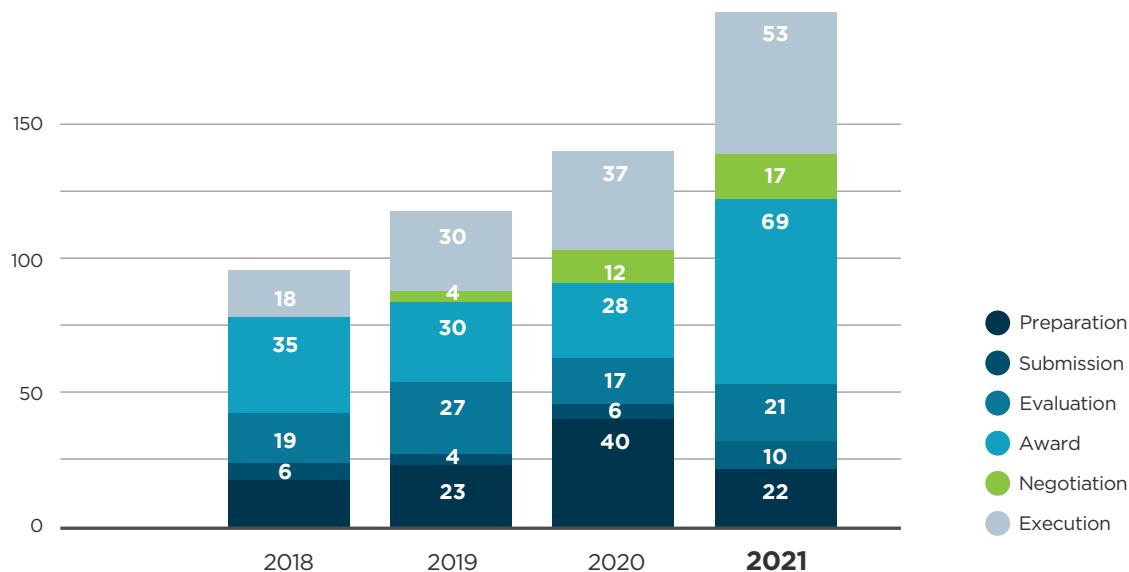
In 2021 national authorities of a borrowing member country announced an investigation involving a group of local companies for alleged corruption, collusion, and fraud in connection with public procurement processes managed by different public institutions. Some of these institutions are or have been executing agencies of IDB-financed programs, and some of the investigated parties are or have been contractors financed by the Bank.

Considering these circumstances, and the fact that OII already had identified integrity red flags concerning these companies, OII advised operational units in order to mitigate integrity risks and potential damage to the Bank's and Borrower's reputation. The most relevant recommendations included:

- Assessing the impact of the national investigation on the programs' ability to meet their goals and implementing targeted measures to strengthen the supervision of contracts and bidding processes involving investigated companies.
- Conducting an in-depth review of the contracts executed by the companies involved in the national investigation to identify whether the executing agency's internal controls failed and confirm that the contracts complied with the respective technical and financial requirements.
- Strengthening the capacity of the executing agency for due diligence in relation to the investigated companies, given that these administrative processes and criminal investigations may affect their financial capacity to implement the contracts.
- Extracting lessons from the results of the national investigation and in-depth review of procurement processes, once they become available, and implementing a detailed action plan on corrective measures to strengthen internal controls and address areas of risk.
- Internally, the Bank should continue developing approaches based on data analytics to identify indicators of market concentration and favoritism in specific markets, in order to assess the Bank's and executing agencies' exposure to certain firms and adopt measures to mitigate risks and promote more competition.

2.9 Of the 295 consultations handled by the SG prevention team of OII in 2021, 228 occurred during the implementation stage of the programs. Those consultations called for advice regarding risk factors identified in procurement processes, and most required an analysis of red flags detected during the award of contracts. Consultations related to the award, evaluation, and negotiation phases represented almost half of the consultations received in 2021 and involved analysis of the integrity history of the participating entities that could affect the implementation of activities financed by the Bank, and the assessment of the associated reputational impact (see Figure 5).

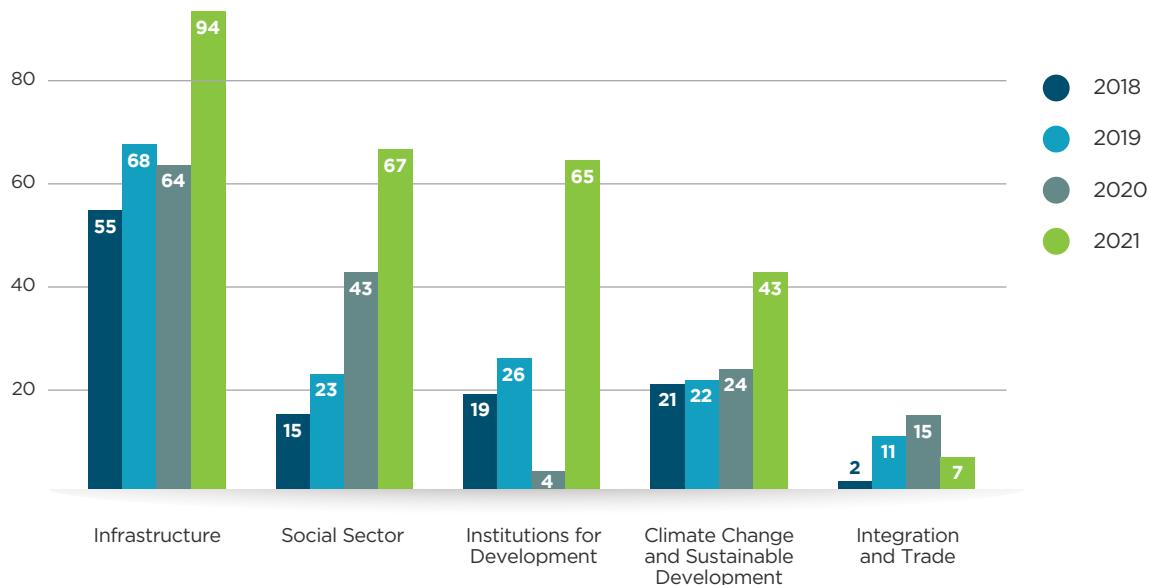
Figure 5. **Consultations Through the Procurement Cycle (2018-2021)**



Note: Figure does not include consultations related to issues outside the procurement cycle, nor 36 consultations related to multiple phases.

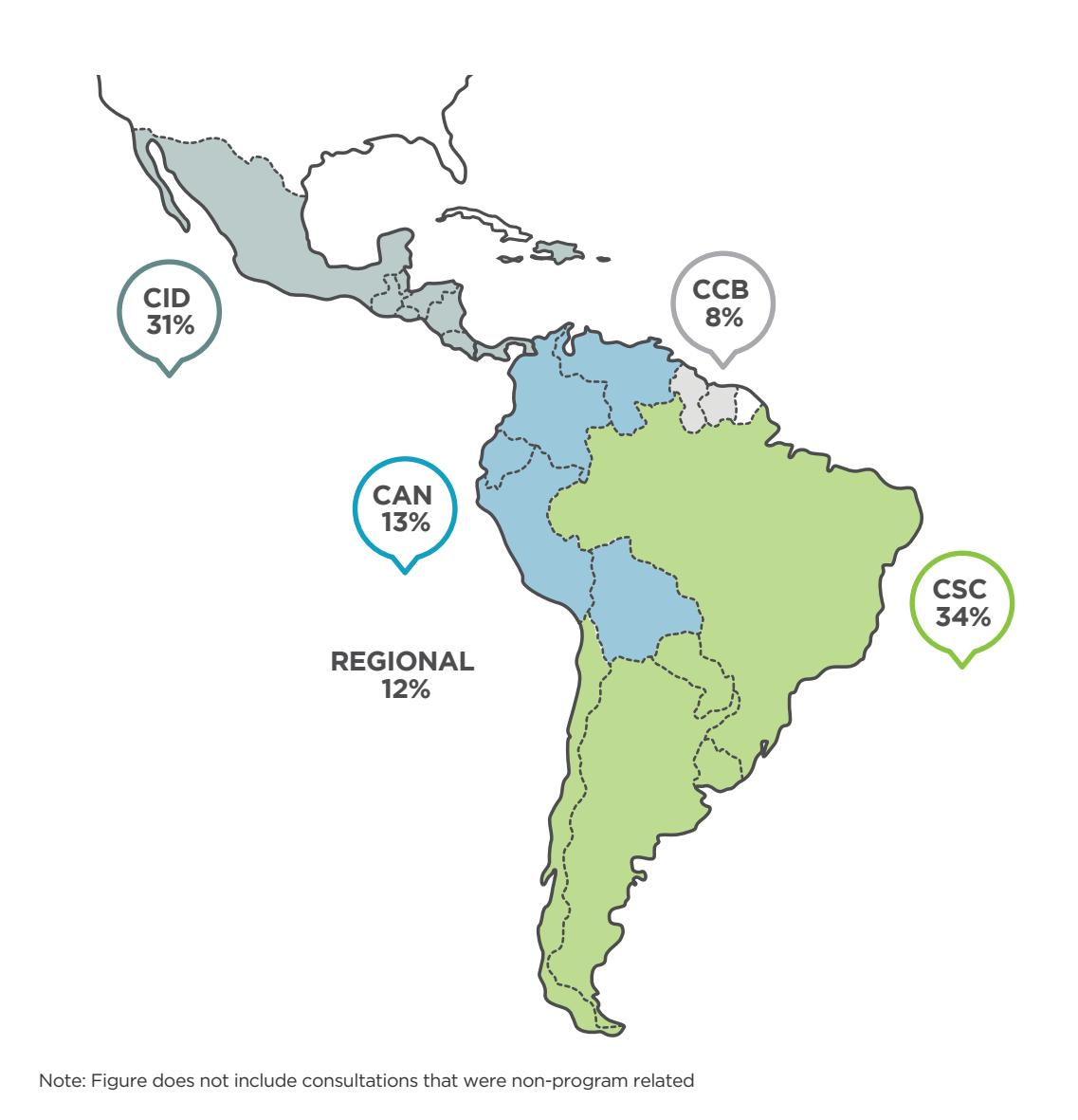
2.10 Figure 6 reflects the 2021 distribution of consultations arising in the five operational sector departments of the IDB. As in past years, most consultations originated in the Infrastructure Sector, and in 2021 the numbers show an important increase in that sector in absolute terms. This increase is partly explained by proactive actions that project teams are taking to address integrity risks in the sector. The number of consultations from teams of the Institutions for Development Sector to ensure compliance with relevant IDB policies increased significantly as well. Figure 7 below illustrates the regional distribution of SG consultations according to where the programs are implemented.

Figure 6. **Consultations by Sector (2018-2020)**



Note: Figure excludes consultations not related to specific sectors.

Figure 7. Consultations by Region of Implementation of Programs, 2021



2.11 Integrity Risk Reviews. As part of OII's preventive activities, the Office conducts risk analyses of either a program, a sector, or a cross-cutting theme to identify and assess integrity risks that might affect the ability to achieve the expected results of an IDB-financed program. In 2021, OII conducted two integrity risk reviews (IRR), one of which involved a hybrid loan including a Results-Based component and one of which involved an investment loan (see Case Study 2).

2.12 Reports of Investigation. OII extracts lessons learned from investigations and shares this knowledge with Management and operational staff through Reports of Investigation (ROIs) and Advisory Notes. ROIs communicate any deficiencies or weaknesses in an IDB Group-financed operation identified during the investigation and suggest concrete areas of action that project teams can take to address them. Advisory Notes communicate time-sensitive indicators of integrity risk to operational staff and Management while an investigation is underway and recommends immediate actions to address imminent risks. In 2021, OII prepared six ROIs and two Advisory Notes (see Case Study 3).



| Case Study 2

IRR of a Housing and Urban Development Program

During the first trimester of 2021, OII conducted an integrity risk review (IRR) of a Housing and Urban Development Program financing (i) the provision of subsidies for the improvement and enlargement of dwellings; (ii) activities for the comprehensive improvement of one of the city's most emblematic neighborhoods; and (iii) activities to strengthen the Executing Agency's institutional capacity.

OII concluded that the most significant sources of integrity risk for the program were associated with the design and implementation of the subsidies scheme for dwelling improvements. Among some of the most relevant findings were:

- Opacity of the selection process of the Construction Technical Assistance (CTA) services and assignment of works: the contracting of these services was not conducted as a regular procurement process and had no clear criteria or documented procedures.
- Increased risk of misappropriation by CTA providers due to weak internal controls during the approval of construction proposals and lack of field work supervisors.
- Insufficient reference to the IDB's integrity provisions in the contracts between the parties involved in the subsidy scheme and lack of mechanisms to screen against the IDB sanctions list.

To mitigate these integrity risks, OII recommended the following measures to the Executing Agency and project team:

- Establish and document technical criteria for the selection and hiring of CTA service providers and communicate them proactively in information briefings and calls for proposals.

Continue on next page

| Case Study 2 *(cont.)*

IRR of a Housing and Urban Development Program

- Adopt measures to mitigate the risk of misappropriation or undue use of the subsidy resources by the CTAs, such as preparing and periodically updating an average estimate of the costs presented by these entities as a reference to detect significant deviations in costs or detect unnecessary materials or quantities.
- Ensure that all the program contracts include the IDB's integrity provisions and that the pre-approval screening process for beneficiaries, cooperatives, and CTAs includes verification against the IDB sanctions list.

The Executing Agency agreed with OII's advice and developed an action plan to implement the recommendations.



| Case Study 3

Shell companies and bribe-paying schemes.

Despite the strong integrity and supervision safeguards embedded in IDB-financed programs, it is important to bear in mind the risk of exposure to grand-scale corruption schemes, particularly in large infrastructure projects. The increasing sophistication of bribe-paying mechanisms through agents and shell companies make these types of schemes difficult to detect in a timely manner.

Issue. An investigation by OII revealed that a company entered into corrupt arrangements with high-level officials in exchange for contracts, including two contracts from IDB-financed programs. Some of the payments went through shell companies designated by the senior government officials' agents. These companies were presented as subcontractors for the works contracts, of which almost none rendered any actual services.

Advice. OII recommended that project teams working with the Executing Agency (EA) consider, among other actions:

- Recommending that the EA lower the threshold that triggers disclosure of the subcontractors in bidding documents for large infrastructure projects. The threshold could be defined taking into consideration the size and nature of the works being contracted.
- Helping the EA strengthen the capacity of evaluation committees to assess the reasonability of the subcontractors' offered services and flag potential conflicts of interest with personnel from the borrower and the executing agency.
- Being alert to red flags of inflated prices in relation to bidders' estimations of fees paid to subcontractors for their services, as this could be an indicator of bribe payments through kickbacks.
- Using the Beneficial Ownership Disclosure Form for the winning bidder in procurement processes awarded through International and National Competitive Bidding methods to reduce the risk that politically exposed persons rely on front companies as vehicles to hide bribe payments.

B. Integrity Due Diligence Support

2.13 OII provides regular integrity due diligence (IDD) support to three different units: IDB Invest,⁹ IDB Lab and the Office of Outreach and Partnerships (ORP).

2.14 Support to IDB Invest. The IDD conducted by IDB Invest is anchored in the IIC Integrity Framework and has three components: (i) know-your-customer reviews focused on potential counterparties but extending as well to other relevant entities; (ii) assessments of the anti-money laundering systems of financial institution counterparties, and (iii) assessments of the risks (including tax review) presented by counterparties with cross-border corporate structures. Based on these assessments, OII advises IDB Invest on whether a project presents: (i) minimal integrity and reputational risks, i.e., risks that are within risk tolerance and do not merit disclosure or mitigation; (ii) heightened risks, i.e., risks that are within risk tolerance but merit disclosure to decision makers and mitigation where necessary; or (iii) significant risks, which are outside of risk tolerance.

2.15 OII continued to oversee the IDD on IDB Invest NSG operations and responded to 1,216 IDB Invest consultations in 2021 – a 2.6% increase over the previous historically high number reached in 2020 (see Figure 8).¹⁰ Of those consultations, 808 related to projects

9. In 2017, the IDB Group announced the launch of “IDB Invest” as a rebrand of the Inter-American Investment Corporation (IIC).

10. 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.

in origination and 408 related to projects in supervision. Consultations related to operations in supervision increased by 211%, which resulted from improved integrity risk monitoring.

Figure 8. **IDD Consultations by Year (2018-2021)**

● IDB Invest ● ORP ● IDB Lab

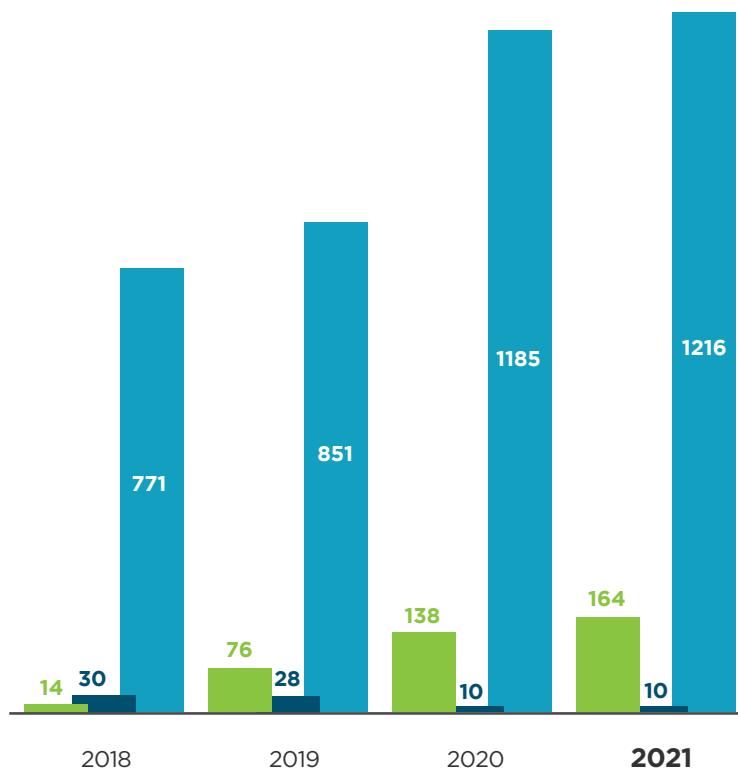
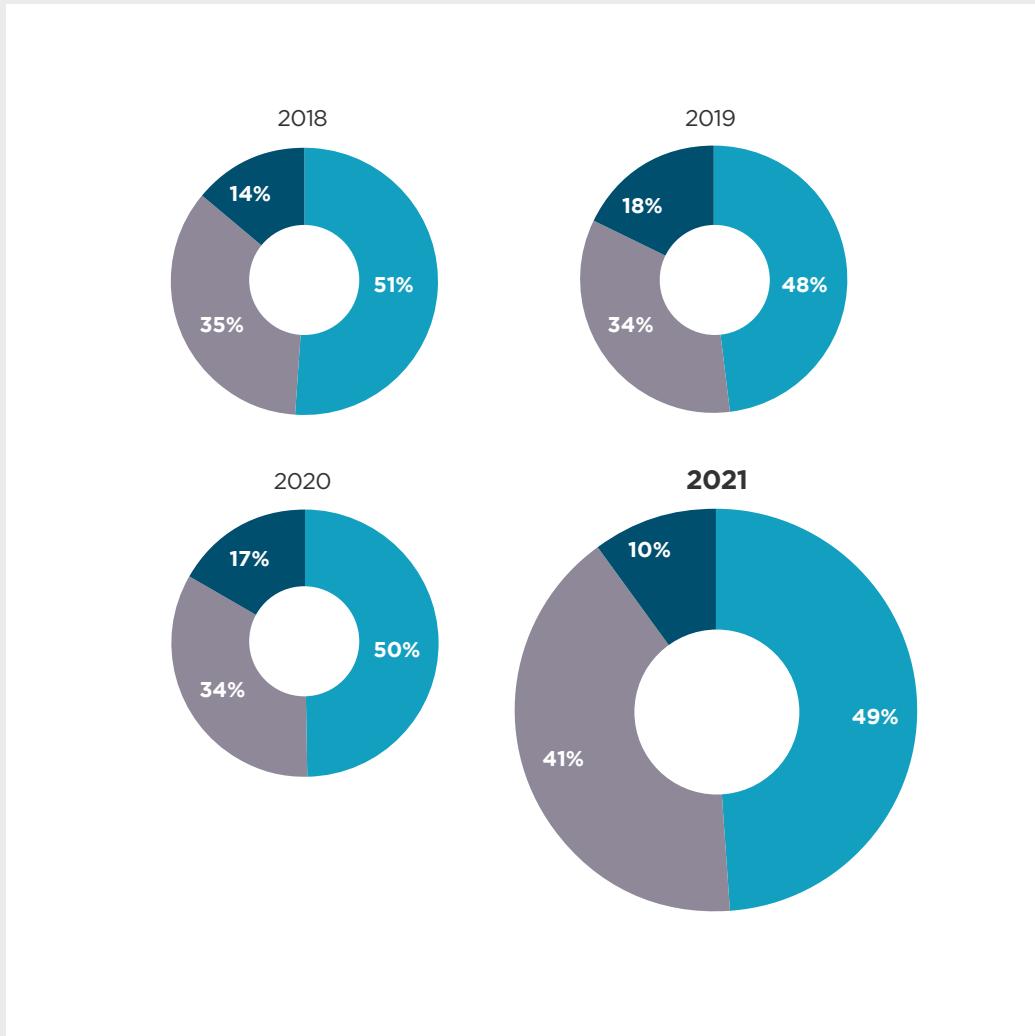


Figure 9. **IDD Integrity Risk Assessment Outcomes (2018-2021)**



Minimal Heightened ORT

2.16 In 2021, OII supported IDD on 636 separate projects – 295 in origination and 341 in supervision. OII completed full integrity risk assessments on 148 of those origination projects and concluded that 72 (49%) presented minimal risk; 61 (41%) presented heightened risk resulting in integrity disclosures and, frequently, mitigation measures; and 15 (10%) presented significant risk and so did not proceed to approval (see Figure 9).¹¹ The percentage of assessed projects that OII concluded presented significant integrity and reputational risk (i.e., outside of risk tolerance) was lower in 2021 than in the previous three years (see Figure 9).

2.17 For the 61 projects in origination with heightened risk, OII developed customized approaches to mitigation of the integrity and reputational risks presented. Mitigation measures frequently include a requirement that IDB Invest counterparties adopt or improve anti-corruption compliance programs. These reforms improve the awareness of integrity risk within IDB Invest counterparties, increase their capacity to manage such risks, and improve the overall anti-corruption environment in the region. It is OII's view that such mitigation measures frequently contribute to the development objectives of IDB Invest operations in addition to reducing integrity and reputational risks.

2.18 Of the 341 projects in supervision on which OII advised, OII concluded in one case that the project's integrity risk had increased and recommended that IDB Invest take action to manage those risks, such as freezing or terminating the credit line. 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 the financing agreements include contractual rights that permit IDB Invest to take action to manage and mitigate the integrity and reputational risks. Those risks can be mitigated by requiring/requesting the borrower to implement compliance reforms, as described in Case Study 4 below.

11. The 147 remaining assessments are ongoing.



| Case Study 4

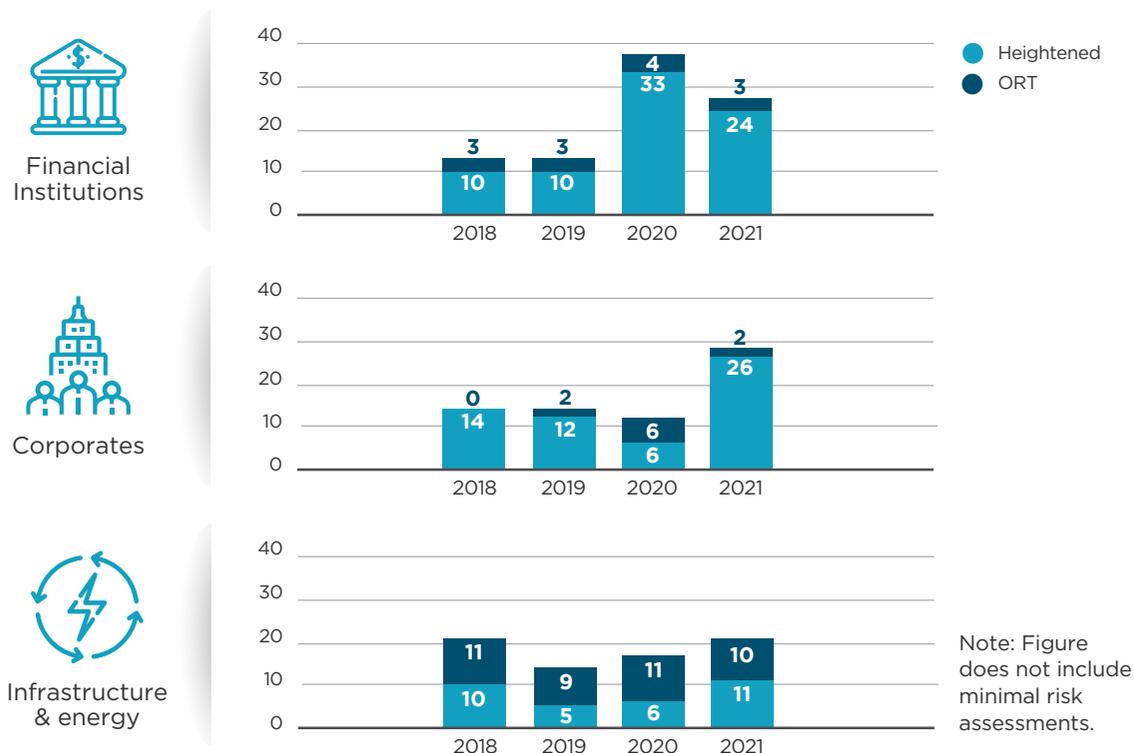
Remediation Efforts

In 2020, IDB Invest was considering financing a project sponsored by a large multinational construction company that participates in infrastructure projects in the region. Integrity due diligence identified allegations and ongoing investigations by national authorities into possible bid rigging by the sponsor's parent company outside of LAC. Based on OII's advice and its own risk assessment, IDB Invest sought to mitigate the integrity and reputational risks in several ways, including by engaging technical assistance funds to hire an external expert to (i) conduct an anticorruption and antitrust risk assessment based on international best practices and (ii) develop an action plan to address any needed improvements. IDB Invest and OII coordinated on the external expert review, which took place in 2021.

IDB Invest was considering additional operations with the same client when the investigation by national authorities resulted in a sanction against a sister company and the parent company for bid rigging. In assessing this development, OII and IDB Invest benefited from having additional insight into the current state of the company's governance, anti-corruption compliance, and antitrust compliance programs, due to the external review. Further, OII advised IDB Invest to mitigate the integrity and reputational risks by – among other measures – requiring that the company implement the compliance action plan that resulted from the external expert review. This reform will result in enhanced governance, anti-corruption and antitrust controls, and oversight across all the company's subsidiaries, not just those receiving IDB Invest financing. In this way, OII and IDB Invest were able to build on mitigation from the 2020 project to ensure broad institutional reforms within a large multinational client so that it could be considered for future financings by IDB Invest.

2.19 As in past years, most of the consultations that resulted in “outside of risk tolerance” conclusions came from the Infrastructure and Energy Division. This result is consistent with a sector that, compared to the other sectors in which IDB invest is active, presents higher integrity risks and therefore requires further disclosure and mitigation. The number of infrastructure projects considered by OII to be outside of risk tolerance in 2021 was almost identical to the number of infrastructure projects in that category during the previous three years (see Figure 10).

Figure 10. **IDD Outcomes by Sector (2018-2021)**



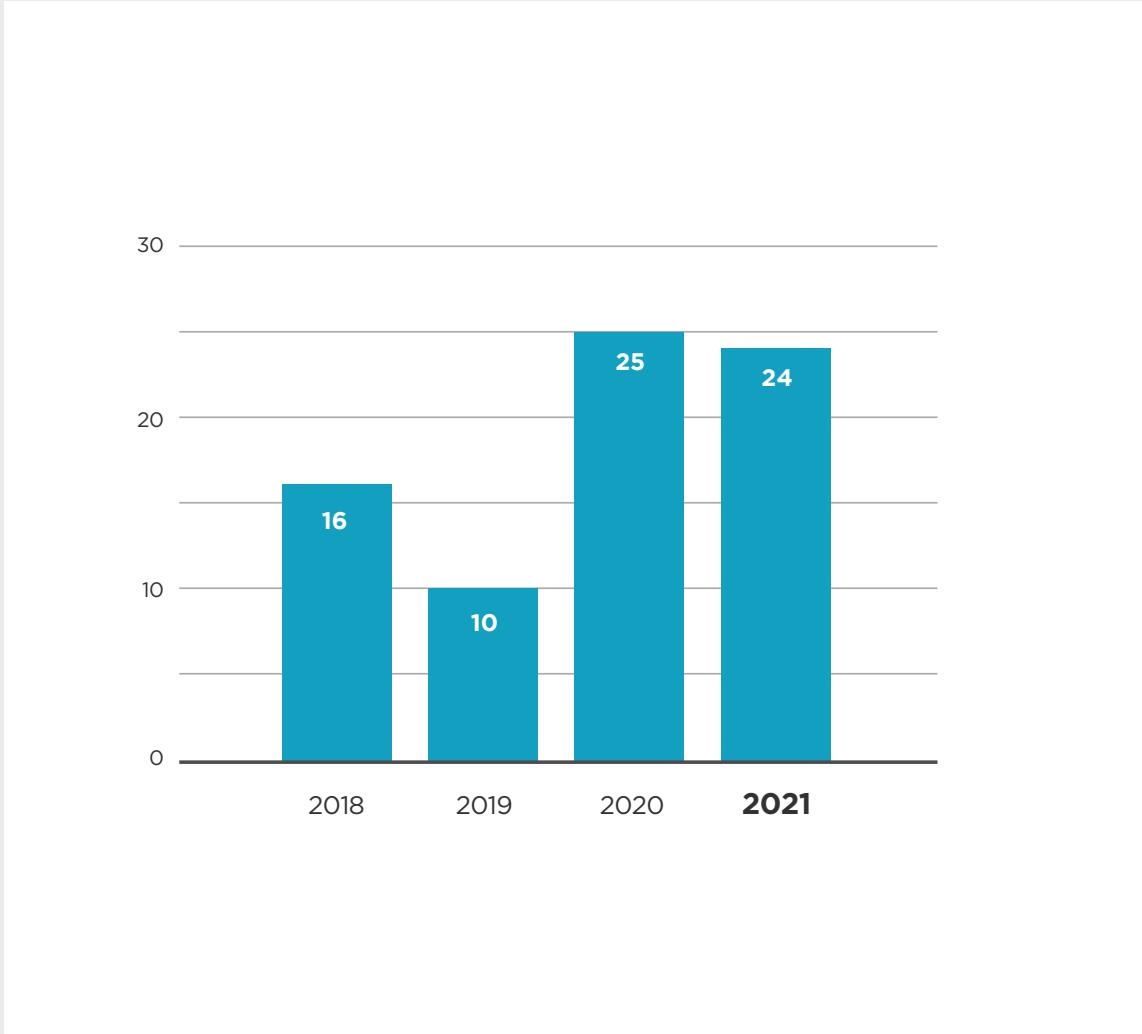
2.20 Improving integrity risk management in the supervision phase. In 2021, OII worked closely with IDB Invest to strengthen integrity risk management for operations in the supervision phase. This effort has focused on refining the integrity risk data that is gathered and reported, improving training, and identifying and closing control gaps. Through these efforts, OII helped make integrity due diligence a central element of IDB Invest supervision efforts and was able to raise awareness that integrity issues frequently impact other project risks, including credit, environmental, and corporate governance.

2.21 Structural Integrity Review. IDB Invest and OII now have five years of experience conducting structural integrity reviews. The approach adopted in the Integrity Framework focuses on identifying, disclosing, and mitigating structural risks, or determining that the structural risks of certain projects are outside of risk tolerance (see Figure 11).

2.22 Support to IDB Lab. In 2021, IDB Lab requested IDD support in 164 instances, related to projects in origination and under supervision – an increase of 19% compared to the previous historically high number reached in 2020. In addition, OII carried out a comprehensive integrity risk assessment of IDB Lab operations in 2021, the first time such a review had been conducted. The results of that review were delivered to IDB Lab in the fourth quarter of 2021, and corresponding control improvements are expected to begin in 2022.

2.23 Support to the Office of Outreach and Partnerships (ORP). In 2021, OII responded to 10 consultations relating to ORP partnerships, which is consistent with the number of consultations addressed by OII in 2020.

Figure 11. **IDD Structural Reviews (2017-2021)**



C. Anti-Money Laundering/Combating the Financing of Terrorism Framework

2.24 OII, with the support of RMG, continued to advance the implementation of the AML/CFT Framework. In 2021, the IDB procured a new IT screening and case management solution, which will allow for the automatization of certain controls that currently require manual processing, and Headquarters Business Units carried out the implementation of an updated sanctions screening process for all relevant transactions. In addition, complete or interim controls were implemented for all identified high-risk activities. By the end of 2021, 17 of 18 Headquarters Business Units had agreed to AML/CFT action plans and had completed implementation of 96 of the 145 agreed-upon controls; the remaining controls are projected to be finalized in 2022. In addition, OII completed AML/CFT risk assessments of IDB Lab and four Country Offices (COFs) in 2021. This work will be expanded in 2022 to include a broader sample of COFs to evaluate the unique AML/CFT needs that might exist across these offices.

D. Trainings and Outreach Activities

2.25 Strong emphasis on capacity building. OII provides training to: (i) increase awareness of the IDB Group's integrity framework and relevant policies, and the corresponding responsibilities of IDB Group employees, executing agencies, beneficiaries of IDB Group financing and private sector entities; and (ii) provide tools

and best practices to internal and external audiences to manage integrity risk in IDB Group-financed operations.

2.26 In the context of training, OII adjusted to pandemic-related travel restrictions by relying on virtual platforms to reach IDB Group personnel and partners with its knowledge-sharing activities. In 2021, OII offered 35 training sessions, reaching at least 1,230 participants (an increase of 40% vs. 2020) (see Table 2).

2.27 As part of this training program and in an effort to strengthen the IDB's capacity to identify and assess integrity risks during the preparation of SG operations, OII, in coordination with the Knowledge, Innovation, and Communications Sector (KIC) and Vice-Presidency for Sectors (VPS), organized a workshop for IDB Project Risk Management Focal Points.¹² In addition, OII worked closely with the IDB Group's Office of Ethics in the design of training that focused on integrity risks that are present in emergency situations such as the COVID-19 pandemic, and actions to mitigate these risks and their reputational impact.

2.28 OII worked with IDB Invest and IDB Lab in 2021 to share knowledge with investment officers via written materials on issues such as initial integrity screens and reputational assessments, as well as supervision of portfolio and special assets. In addition, OII delivered a session for IDB Invest personnel to raise awareness of OII's investigative process and its interaction with operational units.

¹² Observation and Management action plan included in the audit report, Management of Integrity Risk in Sovereign Guaranteed (SG) Operations, issued by the IDB's Office of the Executive Auditor in July 2020.

Table 2: **Number of Trainings by Category**

Type of Activity	Number
Orientation Seminar	2
Integrity in IDB Group-Financed Operations	10
Integrity Risk Management for Internal Stakeholders	5
Integrity in IDB Group-Financed Operations for External Audiences	2
Integrity Risk Management in IDB Group-Financed Operations for Executing Agencies	9
Integrity Due Diligence (IDD) Orientation	5
Contribution of Representatives to IDD	2

2.29 Outreach and Communications. To ensure that lessons learned and other integrity-related topics were shared with relevant internal and external audiences, OII: (i) issued 12 monthly integrity bulletins for the Bank’s personnel; (ii) compiled a database available for the Bank’s operational personnel with lessons extracted from OII

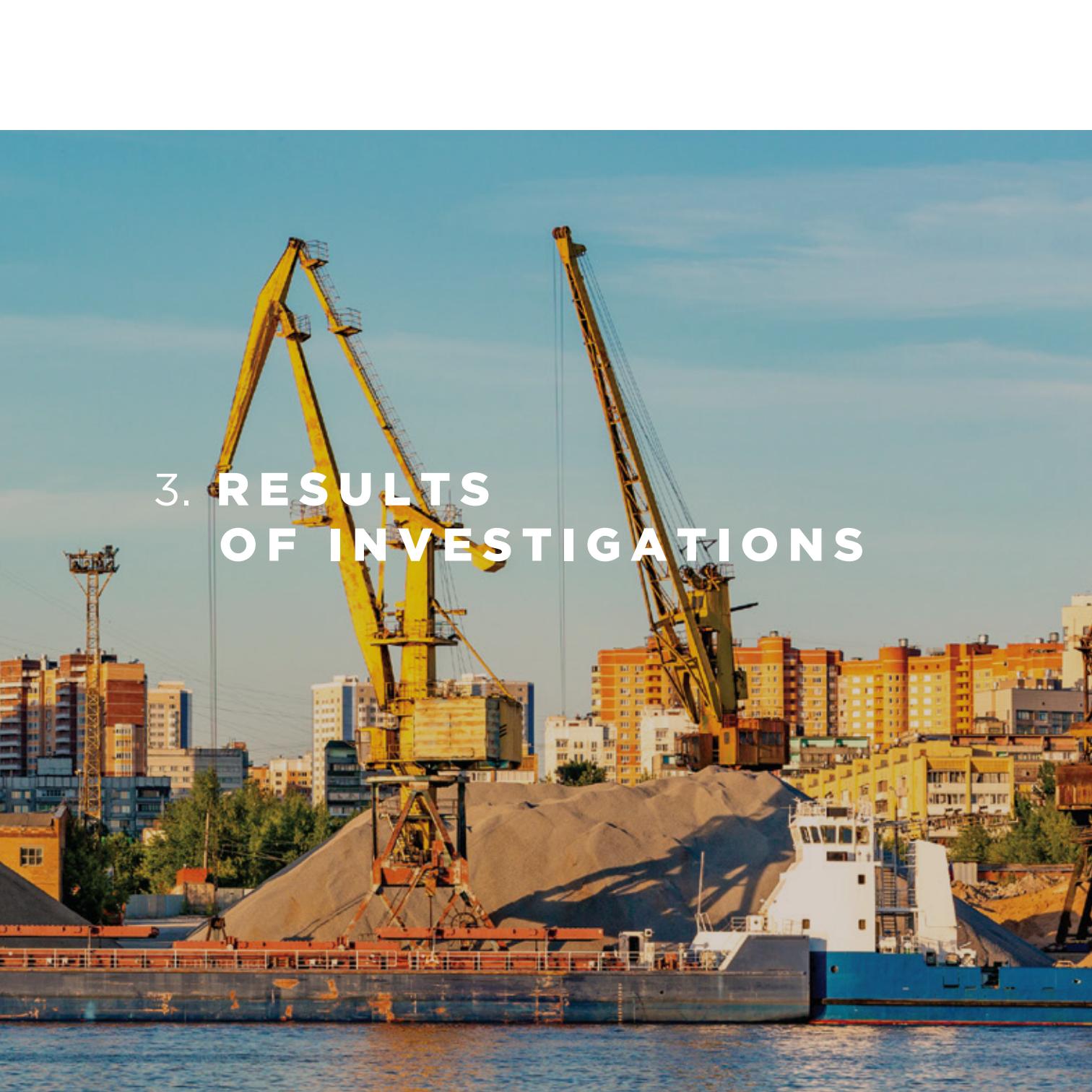
investigations to inform the preparation and implementation of SG operations; (iii) contributed to a podcast; and made presentations to external audiences, including events organized by international financial institutions and national authorities.

E. Key Takeaways and Challenges

2.30 Amid the efforts to support countries and clients in the LAC region on the road to recovery, OII expects integrity risks to remain elevated for the time being and, therefore, anticipates a continuing demand for its advisory services to support project teams during the preparation and implementation of operations. One of the challenges for OII's preventive function is identifying effective channels to share the lessons extracted from its investigations, analyses, and consultations to inform the integrity risk management of IDB-financed programs and activities, and following up on the implementation of those recommendations.

2.31 In this regard, in 2022 OII will: (i) explore actions to ensure tracking and implementation of its recommendations; (ii) strengthen integrity risk management throughout the lifecycle of IDB Group activities to support countries and clients in their recovery efforts, with a particular focus on the infrastructure sector, given its importance for the region's development and the integrity challenges the sector presents; and (iii) continue working to strengthen the capacity of IDB Group staff and partners to adequately identify and manage risks, and respond to the transparency and integrity challenges that the region is facing.



A photograph of a port scene. In the foreground, a large pile of sand sits on a barge. Two large yellow cranes are positioned on the barge, one on the left and one on the right. The background shows a city skyline with various buildings under a clear blue sky. The text "3. RESULTS OF INVESTIGATIONS" is overlaid in white, bold, sans-serif font in the center of the image.

3. RESULTS OF INVESTIGATIONS

A. Outputs of Investigations

3.1 Two years into the global pandemic, OII continues to advance its investigations through a hybrid model involving remote investigations and the outsourcing of key investigative steps to a roster of competitively selected firms with presence in the region. With project procurement activities back to regular levels, OII saw a resurgence of complaints — its second highest in four years, after having experienced a 20% decrease in complaints in 2020. Despite the high volume of complaints, OII was able to keep pace with processing medians for previous years, indicating little to no impact from pandemic work restrictions (see Figures 12 and 13). Figure 14 shows the distribution of complaints by programs' implementation location.

Figure 12. **Total Allegations Received, Active, Processed (2018-2021)**

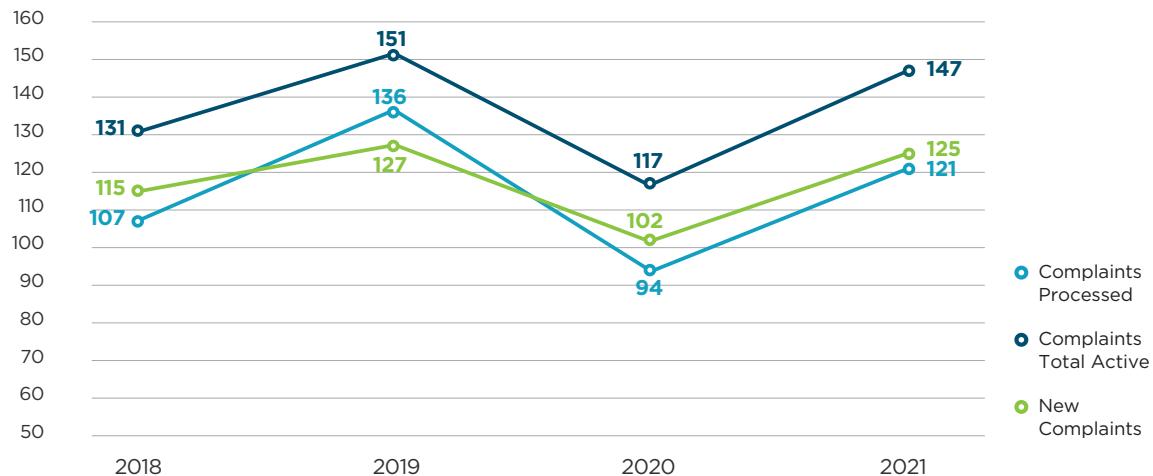


Figure 13. **Percentage of Intake Matters Closed vs. Converted (2018-2021)**

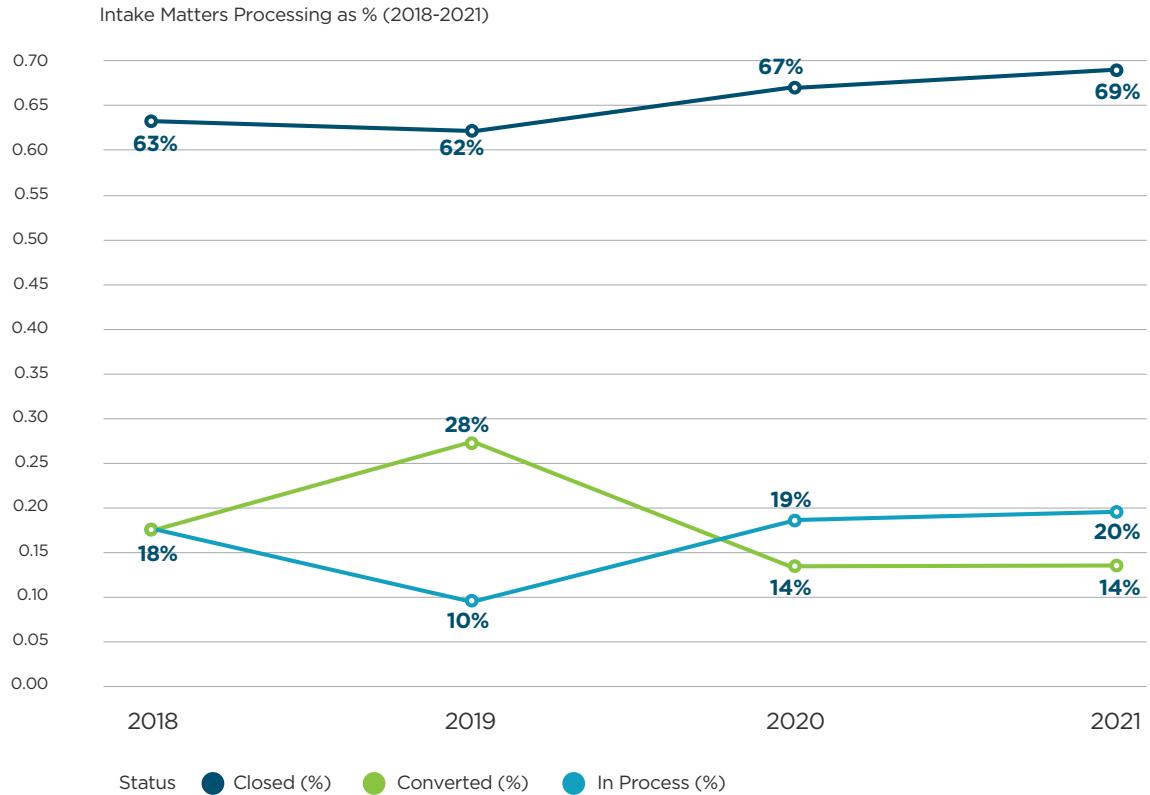
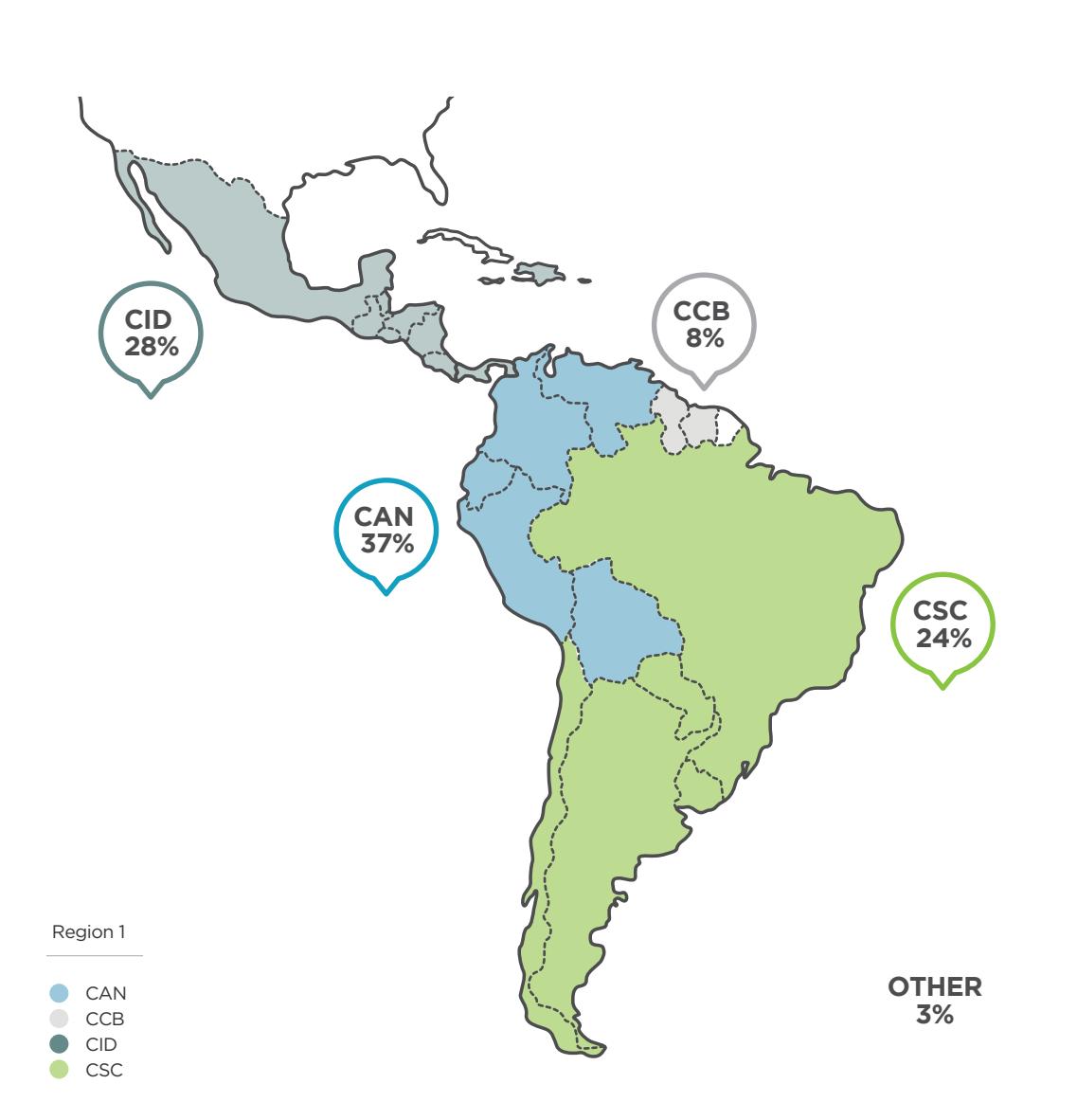


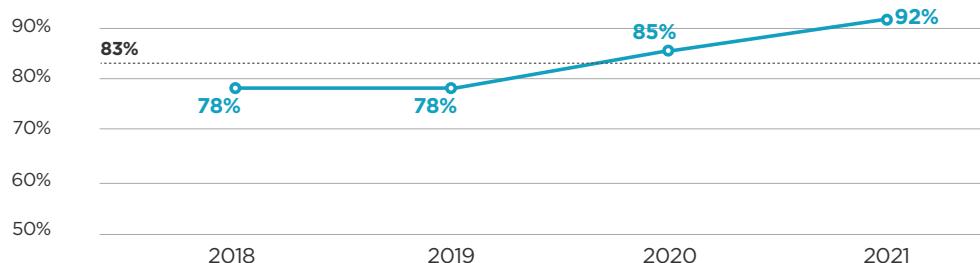
Figure 14. **Complaints by IDB Group Region, 2021**



3.2 Conversely, pandemic restrictions had the greatest impact on OII’s ability to complete investigations that required travel for onsite inspections of companies. Although OII utilized the outsourcing model described in paragraph 3.1 above for select cases, outsourcing was not considered the best option for others, resulting in delays in the completion of a number of aging investigations for 2022. In addition, OII had a record high 92% of its investigations falling within the category of high impact (defined as corruption, collusion, significant financial fraud in the execution of a project, or misconduct by executing agency personnel) (see Figure 15). Although this high percentage is considered a positive result of an effective triage system and emphasis on cases representing systemic integrity risks, this record number of highly complex cases necessarily impacts processing times for investigations (see Figures 16 and 17).

3.3 Factors contributing to the record number of high-impact investigations included OII’s and IDB Group operational teams’ efforts to monitor local press, and improved training and reporting from IDB Invest and IDB Lab personnel. Many of these high-impact cases also involved national investigations, some of which benefited from close coordination between OII and counterpart national authorities. OII continued to expand its cooperation with national authorities, signing four new cooperation agreements in 2021 (see Appendix III).

Figure 15. **Percentage of High-Impact Preliminary and Full Investigations (2018-2021)**



3.4 As mentioned in paragraph 3.2 above, the number of high-impact investigations also had a predictable trend on the overall processing times for investigations. The median time to complete investigations increased twofold from the prior year to approximately one year and seven months. High-impact cases are inherently complex and require more time and resources; for example, on average, high impact investigations carried over to 2022 have been under investigation twice as long as investigations that are not considered high impact (see Figures 16 and 17).

Figure 16. Processing Times for Matters and Investigations (2018-2019)

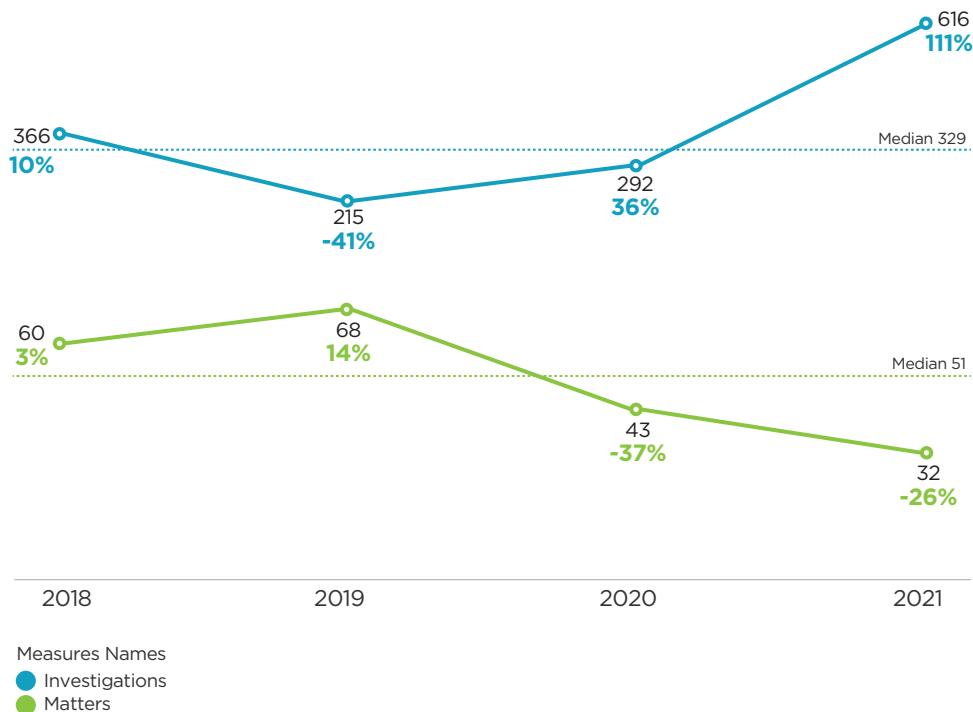
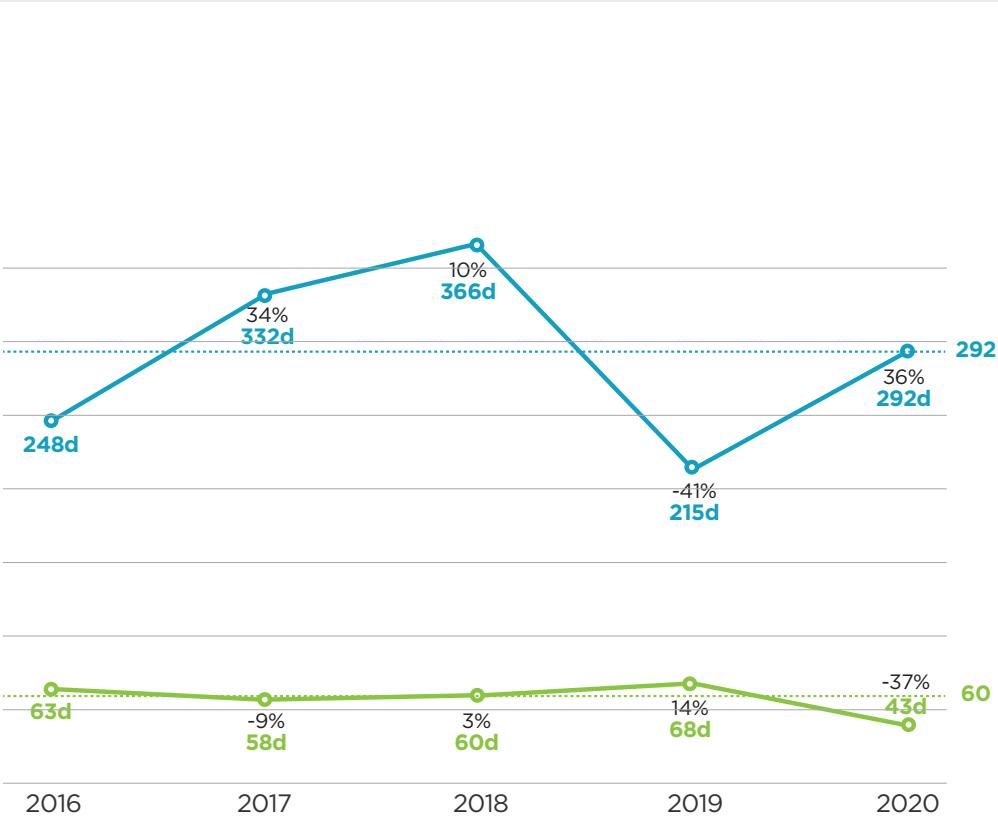


Figure 17. Processing Times for Complaints and Investigations (2016-2021)

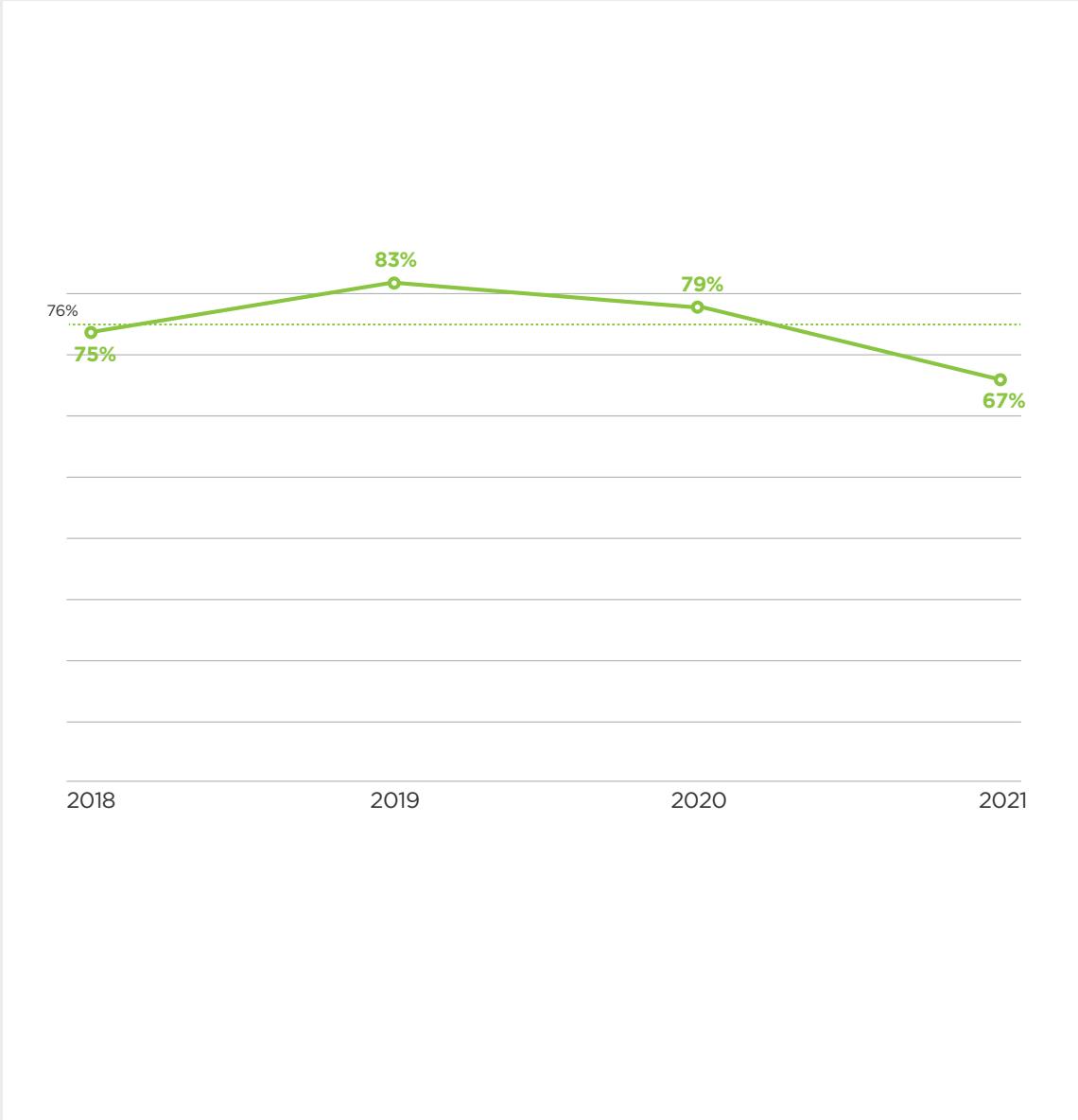


● Investigations
● Complaints

3.5 As can be seen in Figure 18 below, despite the challenges of the COVID-19 pandemic and increased volume of complex investigations, OII maintained a high substantiation rate of 67% for full investigations. While this is somewhat lower than the four-year median, the rate is still considered to be within OII's target rate. In addition, OII maintained a very high 94% favorable decision rate for cases in which a final decision was issued by the Sanctions Officer or Sanctions Committee.

3.6 Concurrently, OII's outputs to the Sanctions System more than doubled compared to 2020. This includes the submission of Statements of Charges and Evidence, replies to appeals, appeal hearings, requests for negotiated resolutions, and finalized Negotiated Resolution Agreements (NRAs). With respect to the latter category, OII handled a record number of investigations in 2021 with associated negotiated resolutions and completed NRAs. This mechanism is utilized in limited circumstances in which cooperation by the parties involved facilitates the understanding of systemic prohibited practices, integrity risks, or significant prohibited practices by other parties, and is considered an effective tool for incorporating cooperation, compliance, and remediation into the sanctioning regime.

Figure 18. Percentage of Substantiated Investigations (2018-2021)





| Case Study 5

The Impact of Corruption on Procurement

- **Allegation:** As part of a tourism promotion program managed at a state-level ministry, an Executing Agency (EA) was charged with overseeing a shopping process split into ten lots for office furniture and equipment to be used by the ministry. Due to deficiencies in the process, including insufficient competition and quotes well above cost estimates, the EA could only award three of the ten lots to two companies, voiding the remainder. After completion of the three contracts, a governmental audit agency identified that the companies provided substandard goods, which were knowingly accepted by certain EA officials without annotation that the goods did not comply with the contract requirements.
- **Investigative Findings:** OII's investigation uncovered that the two companies and a senior EA official engaged in corrupt and fraudulent practices when they manipulated the shopping process for the ten lots and arranged to provide substandard goods, with the goal of generating excess profits that could be used to bribe the EA official. Additional findings included that the two companies were affiliated with one another through shared management, that the EA official intentionally inflated the cost estimates for the ten lots and curtailed competition from other potential bidders, and that the EA official accepted substandard goods and failed to fine the two companies for late delivery.
- **Recommendations:** Findings and lessons learned were shared with the project team. OII advised the team on (i) the need to strengthen its supervision of the EA, even though the respective EA official was no longer assigned to the program; (ii) requiring the EA to implement a corrective action plan; and (iii) continuing the best practice of using governmental audit agencies on IDB-financed projects.
- **Additional Actions:** As a result of the governmental audit, the companies were required to remedy the delivery of substandard goods with appropriate replacements. Separately, OII submitted charges of corruption and fraud to the Sanctions System against the companies and relevant owners.

B. Key Takeaways and Challenges

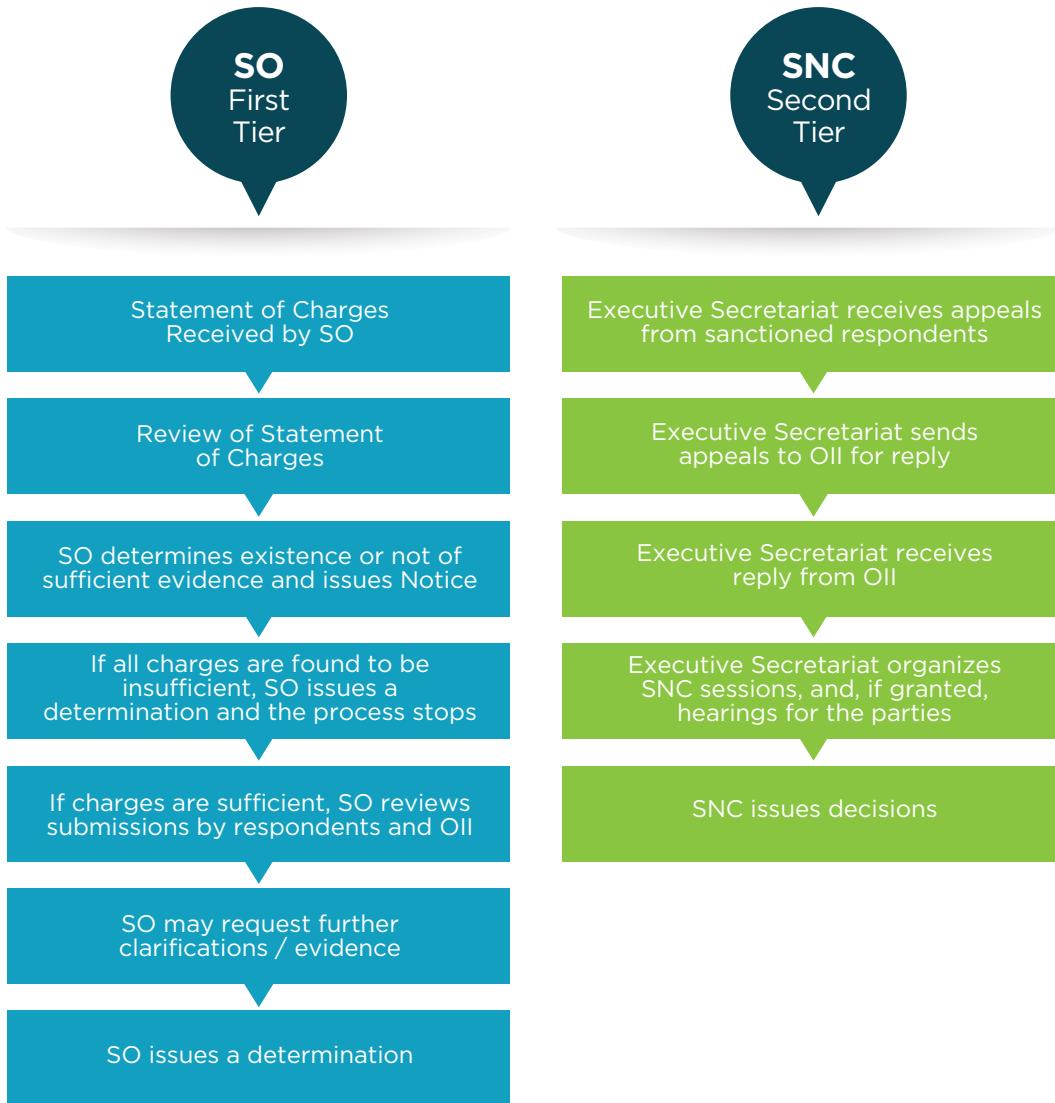
3.7 In 2022, OII intends to continue pressing ahead with its focus on completing existing high-impact investigations and sharing lessons learned with operational units. While travel restrictions may continue to present challenges for a period of time, OII will seek to maximize resources through outsourced investigative activities where appropriate, negotiated resolutions with eligible cooperating companies, and, where possible, collaboration and assistance from national authorities. In addition, given the number of cases nearing completion or in the post-investigation phase at the end of 2021, OII expects to match or exceed the number of submissions to the Sanctions System in 2022, bringing proper and timely resolution to findings of prohibited practices in IDB Group-financed activities and conveying valuable lessons regarding systemic risks to operational units.





**4. SANCTIONS OFFICER,
SANCTIONS COMMITTEE,
AND ITS
EXECUTIVE SECRETARIAT**

Figure 19. **The Sanctions Process**



4.1 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 following its investigative work. The cornerstone of the Sanctions System is its independence and impartiality.

4.2 The SO is the first-tier decision maker and determines whether there is sufficient evidence to support 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, whereas in contested proceedings – where 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.

4.3 The SNC is the second and final-tier decision maker of the Sanctions System's adjudication mechanism. The Committee is assisted by an Executive Secretariat in processing appeals. The SNC adjudicates cases in which Respondents have contested a Determination issued by the SO, but the SNC is not bound by the sanction imposed by the SO. 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.

4.4 The Sanctions System is committed to providing Respondents a robust process in the adjudication of their cases. The SO and the SNC prioritize the following practices:

- Reviewing 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;
- Following the Bank's protocol for the delivery of notices when issuing service of notice;
- Providing Respondents an opportunity to present arguments and evidence in response to OII's allegations, prior to the SO or SNC determining whether a sanction is warranted; and
- When the Respondent appeals, providing them recourse to the SNC.

A. Sanctions Officer Outputs

4.5 During 2021, the SO's main activities consisted of reviewing OII's SOCs, assessing OII's Requests for Determinations on Eligibility for NRAs, and evaluating compliance programs and the corresponding submissions by Respondents and monitors. As was the case in 2020, the SO observed an increase in submissions by Respondents and monitors concerning compliance programs, which required additional review and interaction with each party.

4.6 In 2021, the Sanctions Officer continued monitoring several entities subject to sanctions with conditional release, requiring the development or evaluation of integrity compliance programs instituted by firms of various sizes and located in different regions. These compliance programs, in which the Office of the SO continued to expend significant resources in monitoring and evaluating, can serve as an effective tool to

improve the integrity practices of sanctioned entities and help safeguard operations of the companies going forward.

4.7 Statements of Charges. In 2021, the SO received ten OII submissions (six SOCs, three NRA requests, and one Request for Temporary Suspension) and reviewed nine SOCs carried over from previous years. Typically, each OII submission involves multiple Respondents. Each Respondent is entitled to individual sanctions proceedings (cases). In 2021, there were 43 Respondents implicated in OII's ten submissions.

4.8 Notices of Administrative Action (Notices). The SO reviews the SOCs 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.

4.9 Notification Process. The SO Notice informs Respondents that sanctions proceedings have been initiated against them. Respondents 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 response, and establish an efficient and effective line of communication with the Office of the SO.

4.10 In 2021, the SO issued 46 Notices (compared to 23 Notices in 2020). 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 2021, the SO posted seven such Notices (compared to 11 Constructive Notices in 2020).

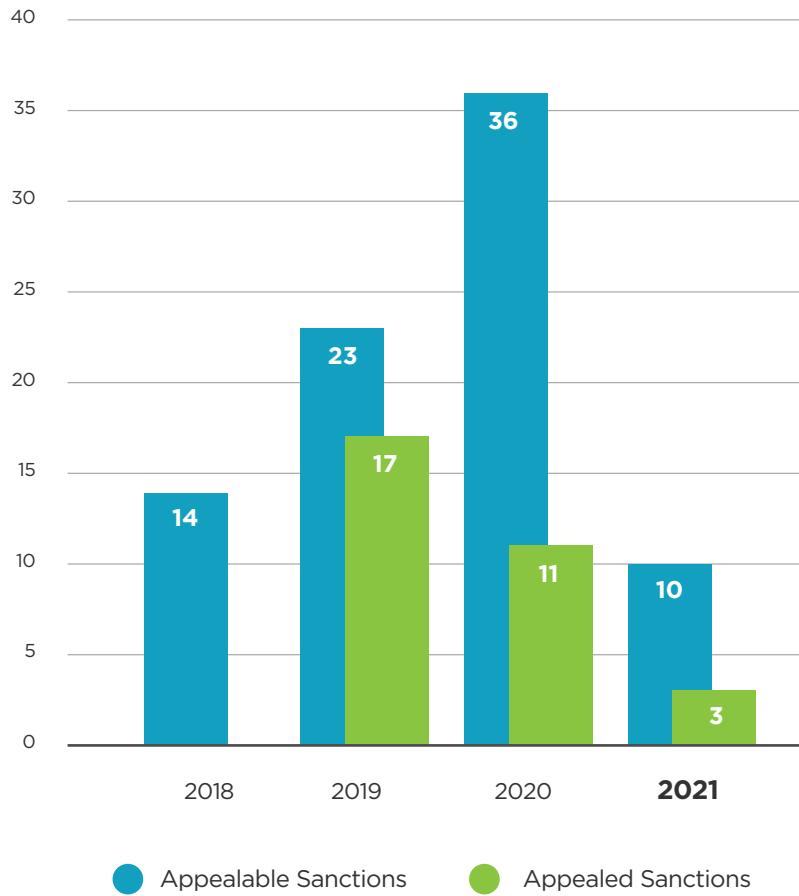
4.11 Contested Cases and Responses Received. Under the Sanctions Procedures, Respondents may submit responses contesting OII's SOCs. The SO then reviews the SOCs and responses, determines whether additional information is required, and issues

a Determination. Such contested cases are appealable to the SNC. In 2021, the SO received four responses to SOCs for cases that will be decided in 2022. In addition, the SO received two Requests for Reconsideration concerning two cases of Temporary Suspension. These requests were carried over to 2022.

4.12 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 2021, the SO issued 31 Records to File related to ongoing cases, whereas in 2020, the SO issued 49 such Records. However, these numbers do not include records of the increased interactions concerning compliance programs, including meetings with Respondents and monitors.

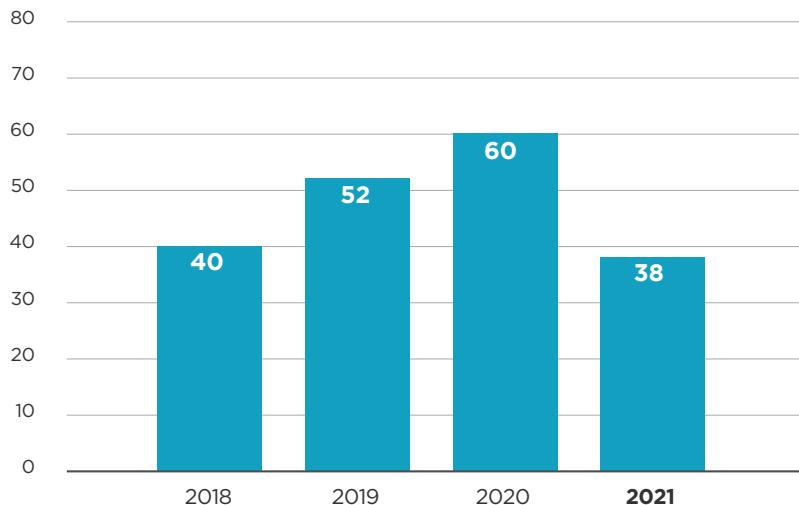
4.13 Determinations. In 2021, the SO issued 38 Determinations (compared to 60 Determinations in 2020). Of the 38 Determinations issued, 34 were related to SOCs, three were related to Determinations for Eligibility for NRAs, and one was associated with a Temporary Suspension. The SO imposed sanctions in 31 of these Determinations. Of these 31 Determinations with sanctions, 21 were uncontested and therefore final. The remaining ten were contested and therefore appealable to the Sanctions Committee. Three of these appealable Determinations were appealed, four were not appealed, and the remaining three have appeal periods that lapse in 2022 (see Figure 20).

Figure 20. **Appealable and Appealed Sanctions (2018-2021)**



4.14 The SO issued two Determinations that did not impose sanctions and terminated the proceedings against the Respondents. In these cases, the SO concluded that insufficient evidence existed to support the charges of prohibited practices. Finally, there was one Determination in which the SO reopened two related cases, based on a request by the Respondents, who argued that they had not received adequate notice of the proceedings.¹³

Figure 21. **Determinations (2018-2021)**



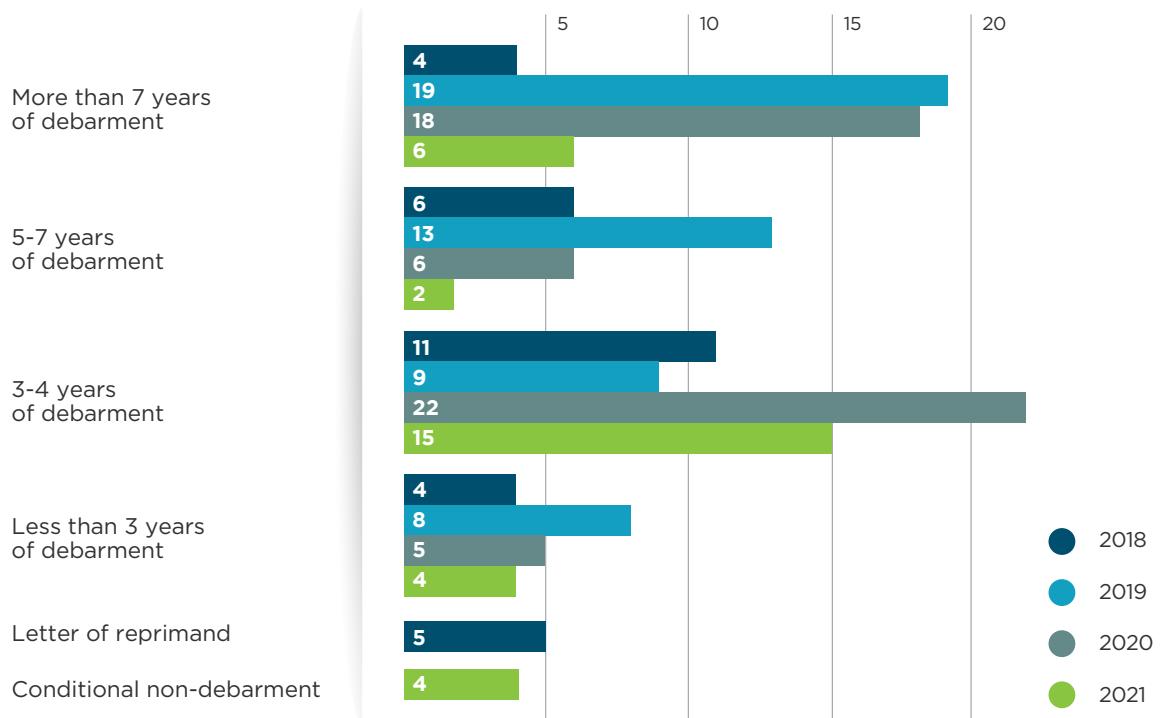
4.15 Sanctions Imposed. The table below summarizes the 33 sanctions imposed by the SO in 2021 by type of prohibited practice.

13. In this and all cases, the Bank's Protocol for the Delivery of Notices was followed, and proper Notice was given to all Respondents.

Table 3: **Number of Prohibited Practices**

Type of Prohibited Practices	Number
Fraud	23
Collusion	7
Collusion and Fraud	3

Figure 22. **Distribution of SO Sanctions (2018-2021)**



4.16 Of the sanctions mentioned above, there were four conditional non-debarments and 27 debarments that ranged from one and a half years to 14 years, as illustrated in Figure 22. In total, 27 of the sanctions imposed in 2021 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 MDBs.

4.17 Compliance. In 2021, the Office of the Sanctions Officer oversaw compliance programs, monitorship proposals, and implementation by sanctioned Respondents subject to conditional non-debarments or debarments with conditional release. The SO verifies 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 range from local small and medium enterprises (SMEs) to multinational corporations, creating challenges to adapt compliance programs to specific business models.

4.18 In 2021, as was the case in 2020, the Office of the SO substantially increased its role in monitoring integrity compliance programs. Notably, the SO oversees the integrity compliance programs and other conditions imposed on entities entering into NRAs with OII or resulting from sanctions imposed by the SO (see Case Study 6). Consequently, the SO is tasked with evaluating compliance programs in differing stages of implementation and collaborating with national authorities and other MDBs when the sanctioned firms entered into multi-jurisdictional monitorships in negotiated settlement agreements. By the end of 2021, the SO was overseeing implementation of six compliance programs (three more than in 2020).



| Case Study 6

Conditional Non-Debarments from SMEs to Multinationals

Multinational Corporation with a Presence in the Region. OII submitted an SOC against a subsidiary of a multinational corporation based outside of the region concerning alleged fraudulent practices in an IDB-financed Public Transportation contract. As a result, the SO issued a Notice initiating the sanctions proceedings against the subsidiary (Respondent), which in turn submitted a response. After reviewing OII's allegation and the Respondent's submission, the SO found that the Respondent committed a fraudulent practice and issued a conditional non-debarment. As a result, the sanctioned Respondent must meet specific conditions during a certain time frame: failure to comply with these conditions will result in debarment. In particular, the SO ordered a monitorship to assess the business risks and compliance with integrity best practices, and an enhanced review of the sanctioned Respondent's compliance program.

SME. OII presented fraud charges against an SME (Respondent) that misrepresented financial information in at least two IDB-financed bid processes. During the investigation, the Respondent admitted to the prohibited practices, pledged to adhere to ethical standards, and requested that its admission be considered at the time of sanctioning. The SO issued a Notice, and once more, the Respondent admitted to the fraudulent practices in its Response, stating its willingness to modify its business practices and requesting leniency. In the Determination, the SO found that the Respondent committed fraudulent practices and issued a conditional non-debarment, given the Respondent's willingness to adhere to higher ethical and integrity standards. As in similar cases, the SO ordered the appointment of a monitor to establish and evaluate the implementation of an integrity program. If the sanctioned Respondent engages in other prohibited practices or breaches of the specified requirements, the conditional non-debarment could be revoked.

4.19 Response Time. In 2021, the average processing time for the SO to review a case and issue Determinations was 392 days, fairly consistent with the 396-day average in 2020. As was the case in 2020, a significant number of cases required enhanced scrutiny due to the more complex nature of the allegations and the number of Respondents named per case. Furthermore, in 2019, 2020, and 2021, the SO imposed conditions (e.g., requiring that Respondents establish or remediate their existing compliance programs) and reviewed an increasing number of requests for eligibility for NRAs, both of which required an additional investment of time.

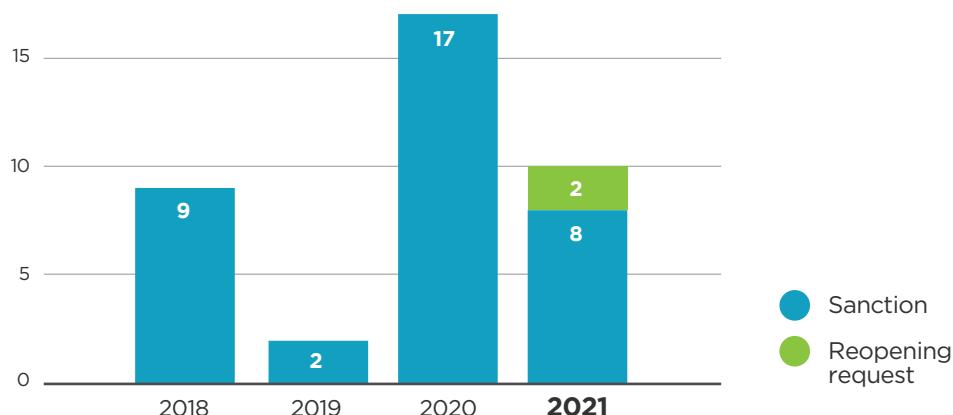
B. General Overview of the Sanctions Committee (SNC) Activities

4.20 Context. In January 2021, two new external members began their terms, including the new Chairperson. The transition to the new membership was smooth, and SNC activities continued as planned. As a result of the continuing pandemic, during the year the Sanctions Committee hosted all of its hearings and deliberations virtually while enabling all parties to participate efficiently.

4.21 The SNC in numbers. In 2021, the Sanctions Committee, through the Executive Secretary, received 11 appeals and two requests from Respondents to reopen cases. The cases received by the Committee related to corrupt, fraudulent, and collusive practices.

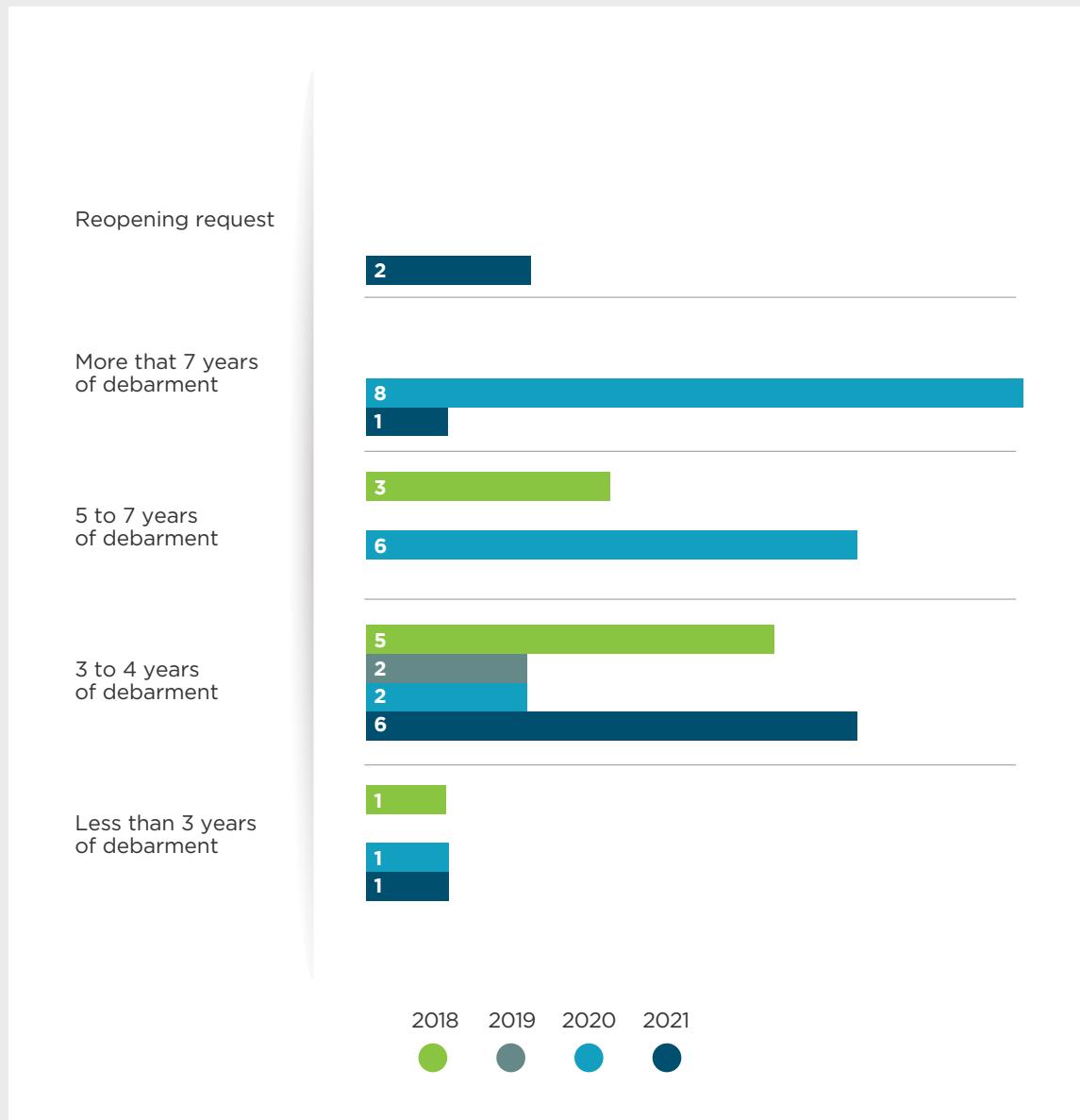
4.22 The Executive Secretariat drafted 165 communications (i.e., related to debarments, decisions, and cross-debarments) and referred them to OII, Respondents, Executive Directors, and Country Representatives.

Figure 23. **Sanctions Committee (2018-2021)**



4.23 Sanctions. In 2021, the SNC issued ten decisions (compared to 17 decisions in 2020), imposing sanctions in all of them, as indicated in Figure 23. The nature of the sanctions and years of debarment imposed are summarized in Figure 24 below. The ten decisions related to three cases, for which the members of the Committee attended online remote meetings presided over by the Chairperson of the Committee. The Chairperson approved requests from five appellants to hold virtual oral hearings in two cases. In one case, panel members, following the Bank’s internal policies designed to address the risks caused by the COVID-19 pandemic, gathered in person at the Bank’s headquarters in Washington, DC to conduct the hearing sessions.

Figure 24. **Distribution of Sanctions Committee decisions (2018-2021)**



4.24 Cross-Debarment Agreements. All ten debarments issued by the SNC met the requirements for cross-debarment, therefore they were communicated to the other MDBs by OII.

4.25 The Executive Secretariat drafted 165 communications (i.e., related to decisions, debarments, and cross-debarments) and referred them to OII, Respondents, Country Representatives, and Executive Directors.

4.26 List of Sanctioned Firms and Individuals. The Executive Secretariat of the SNC published 48 debarments (38 issued by the SO and 10 issued by the SNC) imposed by the IDB Group Sanctions System that became effective in 2021. Additionally, it published 177 debarments imposed by other MDBs and recognized by the IDB Group under the Cross-Debarment Agreement¹⁴ (see Appendix II for a detailed list of the entities and individuals sanctioned in 2021).

14. The distribution of the cross-debarments imposed is as follows: 156 from the World Bank Group, 11 from the Asian Development Bank, six from the African Development Bank and four from the European Bank for Reconstruction and Development.



| Case Study 7

Sanction Imposed on a Collusive Scheme of Bid Rotation

The Sanctions Committee sanctioned five Respondents for a collusive practice related to the execution of an IDB-financed project, which focused on improving access to sanitation and water for rural areas. While two individual Respondents were awarded contracts in the program, one individual Respondent submitted one bid, but the contract was awarded to another Respondent. The other two Respondent firms were under the control of the original individual Respondents.

OII's investigation found that the Respondents engaged in a collusive practice by arranging their participation with other Respondents in the procurement process financed by the program. The Respondents coordinated to submit bids with the intention of simulating competition in order to improperly influence the award of the contract to predetermined winning bidders.

The Sanctions Committee determined that it was more likely than not that the Respondents colluded with other bidders through a scheme of bid rotation, with the improper intention of simulating competition. As a result, the Sanctions Committee issued sanctions against the Respondents ranging from two to three years.

4.27 Cooperation with other MDBs. The SNC hosted the 2021 Sanctions Appeals Bodies Meeting on behalf of the IDB Group, the first one in a virtual format. The topics discussed included recent MDBs' sanctions developments, the role of Sanctions Systems to generate efficiency in MDBs' operations, and trends in the selection of sanctions. We also hosted a keynote speech on the most effective sanctions mechanisms to promote integrity cultures. The meeting provided an invaluable opportunity for the MDBs to share lessons learned, recent practices and trends, forge collaborative relationships, and jointly reflect on emerging challenges and opportunities.

C. Key Takeaways and Challenges

4.28 In 2021, the SO added three compliance monitorships to the compliance program portfolio, including two resulting from the imposition of conditional non-debarments on Respondents by the SO. As the SO's role in overseeing monitorships expands, so does the opportunity to positively influence the development marketplace affected by prohibited practices. As previously mentioned, robust integrity compliance programs can play a crucial role in promoting clean business practices in the region and as such, have become an area of focus for the Sanctions System.

4.29 The number of compliance monitorships increases as the share of complex cases grows in the SO's portfolio, and the number of NRAs advanced by OII rises.

4.30 The SNC continued to work diligently to secure the necessary resources to ensure that cases are carefully reviewed notwithstanding the challenges posed by the COVID-19 pandemic. In this connection, the SNC devoted resources to ensure that our internal processes continued to observe the best practices in cybersecurity, which enabled us to conduct all hearing sessions in virtual format and to host the 2021 MDBs' Sanctions Appeals Bodies Meeting.

4.31 The SNC received appeals from the determinations the SO issued in the second half of 2021. The moving average ratio of appeals of the last five years has increased to 46% from the historical ratio of 38%. The pipeline of cases for the Committee's decisions in 2022 is greater in size and complexity than in previous years, with large multinational companies as Respondents, who are represented by international law firms.



A photograph of a church with a bell tower and a stone well in the foreground, decorated with blue and white bunting flags. The church is white with gold accents and a cross on top. The well is made of stone and has a circular opening. The scene is set outdoors with trees and a cloudy sky.

APPENDIX I, II, III, IV

Appendix I: Prohibited Practices

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

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;

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;

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;

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; and

“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: Entities and Individuals Sanctioned in 2021

List of Sanctioned Firms and Individuals in 2021

Name	Entity type	Nationality	Country project	Ineligible from	Ineligible to	Grounds
Constructores Asociados de Occidente SRL de CV	Firm	Honduras	Honduras	Feb-8-21	Feb-7-23	Fraud
Edwin Omar López Fajardo	Individual	Honduras	Honduras	Feb-8-21	Feb-7-23	Fraud
Claudia Marisela Matute Colindres	Individual	Honduras	Honduras	Feb-9-21	Feb-8-24	Collusion
José Adalid Domínguez Cardona	Individual	Honduras	Honduras	Feb-9-21	Feb-8-23	Collusion
Oscar Hernán Almendarez Castillo	Individual	Honduras	Honduras	Feb-9-21	Feb-8-24	Collusion
Almendarez & Asociados S. de R.L.	Firm	Honduras	Honduras	Feb-9-21	Feb-8-24	Collusion
Saúl Avendaño Argueta	Individual	Honduras	Honduras	Feb-9-21	Feb-8-24	Collusion
Avendaño & Asociados S. de R.L.	Firm	Honduras	Honduras	Feb-9-21	Feb-8-24	Collusion
Carlos Alfredo Montes Montoya	Individual	Honduras	Honduras	Feb-9-21	Feb-8-24	Collusion
Construcciones y Supervisiones Montes S. de R.L.	Firm	Honduras	Honduras	Feb-9-21	Feb-8-24	Collusion
Ingenieros Profesionales de la Construcción S. de R.L.	Firm	Honduras	Honduras	Feb-9-21	Feb-8-24	Collusion
Karina Flores	Individual	Honduras	Honduras	Feb-9-21	Feb-8-24	Collusion
TR Construya S.L.U.	Firm	Spain	Panama	Feb-9-21	Feb-8-28	Corruption, Fraud
Juan José Acosta González	Individual	Spain	Panama	Feb-9-21	Feb-8-28	Corruption, Fraud
TR Construya Panamá, S.A.	Firm	Panama	Panama	Feb-9-21	Feb-8-28	Corruption, Fraud
Enrique Porfirio Velásquez Alvarenga	Individual	Honduras	Honduras	Mar-1-21	Aug-31-23	Collusion
Jorge Luis Núñez Butrón	Individual	Peru	Peru	Jun-21-21	Jun-20-24	Collusion
Empresa Constructora Gami S.R.L.	Firm	Bolivia	Bolivia	Aug-23-21	Aug-22-24	Fraud
Félix Espinoza Martínez	Individual	Bolivia	Bolivia	Aug-23-21	Aug-22-24	Fraud
Gonzalo Darwin Espinoza Guerrero	Individual	Bolivia	Bolivia	Aug-23-21	Aug-22-24	Fraud
Marvin Deheri Espinoza Guerrero	Individual	Bolivia	Bolivia	Aug-23-21	Aug-22-24	Fraud
Ivanof Said Espinoza Guerrero	Individual	Bolivia	Bolivia	Aug-23-21	Aug-22-24	Fraud
Noah Rosenkrantz	Individual	USA	Barbados	Sep-20-21	Sep-19-29	Corruption, Fraud
Christopher Thibedeau	Individual	Canada	Barbados	Sep-20-21	Sep-19-25	Collusion
TTEK Inc.	Firm	Barbados	Barbados	Sep-20-21	Sep-19-25	Collusion
Orange Capital Limited	Firm	China, Hong Kong	Venezuela	Oct-27-21	Oct-26-31	Corruption
Digimax Services Limited	Firm	China, Hong Kong	Venezuela	Oct-27-21	Oct-26-31	Corruption
BFG Consulting Limited	Firm	British Virgin	Venezuela	Oct-27-21	Oct-26-31	Corruption
Asesores Bypsa	Firm	Venezuela	Venezuela	Oct-27-21	Oct-26-31	Corruption
Christian Andres Navarro Guarín	Individual	Colombia	Colombia	Nov-8-21	Nov-7-24	Fraud
Omar Enrique Álvarez Escorcía	Individual	Colombia	Colombia	Nov-8-21	Nov-7-30	Fraud, Collusion
Mediredes S.A.S o Gestión y Proyectos Construcciones Group S.A.S.	Firm	Colombia	Colombia	Nov-8-21	Nov-7-35	Fraud, Collusion
Harry Villalobos Tejada	Individual	Colombia	Colombia	Nov-8-21	Nov-7-35	Fraud, Collusion
Profincó Ltda.	Firm	Colombia	Colombia	Nov-8-21	Nov-7-24	Fraud
Armando Gómez Monsalve	Individual	Colombia	Colombia	Nov-8-21	Nov-7-24	Fraud
Walterio Romero Valladares	Individual	Honduras	Honduras	Nov-22-21	Nov-21-33	Fraud
Ingenieros Consultores y Asesores Técnicos Soc. de R.L. de C.V. o INCAT S. de R.L.	Firm	Honduras	Honduras	Nov-22-21	Nov-21-33	Fraud
Tractebel Engineering S.A.	Firm	Belgium	Haiti	Nov-29-21	Sep-28-25	Corruption, Fraud
Samir Kunkar Kafatti	Individual	Honduras	Honduras	Dec-13-21	Dec-12-24	Collusion
Allan Fabricio Fiallos Williams	Individual	Honduras	Honduras	Dec-13-21	Dec-12-24	Collusion
Elsa Marina Rodríguez Teruel	Individual	Honduras	Honduras	Dec-13-21	Dec-12-23	Collusion
Constructora Santa Elena S.A. o Kundera	Firm	Honduras	Honduras	Dec-13-21	Dec-12-24	Collusion
Proyecto de Ingeniería Centro Americana S. de R.L.	Firm	Honduras	Honduras	Dec-13-21	Dec-12-24	Collusion
Fabricio Silveira Alvez	Individual	Brazil	Brazil	Dec-17-21	Dec-16-24	Fraud
Enorey International Brasil Consultoria Ltda. (Quanam Brazil)	Firm	Brazil	Brazil	Dec-17-21	Dec-16-24	Fraud
Sacha Breckenfeld Reck	Individual	Brazil	Brazil	Dec-27-21	Dec-26-29	Collusion

Determinations made by Sanctions Officer

Decisions made by the Sanctions Committee

Negotiated Resolution Agreement (NRA)

Appendix III: Cooperation Agreements

Cooperation Agreements signed to date between OII and national authorities:

- Administrative Council for Economic Defense (CADE) Brasilia, Brazil
- European Anti-Fraud Office (OLAF) Brussels, Belgium
- National Commission of Markets and Competition (CNMC) Madrid, Spain
- Federal Economic Competition Commission (COFECE) Mexico DF, Mexico
- Brazilian Federal Prosecution Service (MPF) Brasilia, Brazil
- Prosecution Office against Corruption and Organized Crime (FGE) Madrid, Spain
- National Office of the Public Prosecutor (FGE) Quito, Ecuador
- French Anti-Corruption Agency (AFA) Paris, France
- Public Prosecutor's Office (MP) Santiago, Chile
- Directorate of Criminal Affairs and Pardons (DACG) Paris, France
- Comptroller General Office (CGU) Brasilia, Brazil
- USAID Office of the Inspector General Washington D.C., USA *New in 2021*
- Public Ministry of Costa Rica San José, Costa Rica *New in 2021*

Cooperation Agreements signed to date between OII and international organizations

- Nordic Development Fund (NDF) Helsinki, Finland
- United Nations Development Program (UNDP) New York, USA
- Caribbean Development Bank (CDB) Bridgetown, Barbados
- The Global Fund Office of Inspector General (OIG) Geneva, Switzerland
- United Nations Office for Project Services (UNOPS) Copenhagen, Denmark
- Green Climate Fund Incheon, South Korea *New in 2021*
- Gavi, the Vaccine Alliance Geneva, Switzerland *New in 2021*

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

- African Development Bank Group (AfDB) Abidjan, Côte d'Ivoire
- Asian Development Bank (ADB) Mandaluyong, Philippines
- European Bank for Reconstruction and Development (EBRD) London, United Kingdom
- European Investment Bank (EIB) Kirchberg, Luxembourg
- World Bank Group (WB) Washington D.C., USA



Appendix IV: Glossary*

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

* 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.

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): 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: The 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.

