



**OFFICE OF  
INSTITUTIONAL  
INTEGRITY  
AND SANCTIONS  
SYSTEM**  
**2022**  
ANNUAL  
REPORT

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

Office of Institutional Integrity and Sanctions System:  
Annual Report 2022 / Inter-American Development Bank.  
p. cm.

1. Development banks. 2. Transparency in international agencies. 3. Corruption- Prevention.

I. Inter-American Development Bank. Office of Institutional Integrity. II. Inter-American Development  
Bank. Sanctions Officer. III. Inter-American Development Bank. Sanctions Committee.

IDB-AN-352

Copyright © 2023 Inter-American Development Bank (“IDB”). This work is subject to a Creative Commons  
license CC BY 3.0 IGO (<https://creativecommons.org/licenses/by/3.0/igo/legalcode>). The terms and conditions  
indicated in the URL link must be met and the respective recognition must be granted to the IDB.

Further to section 8 of the above license, any mediation relating to disputes arising under such license shall be  
conducted in accordance with the WIPO Mediation Rules. Any dispute related to the use of the works of the IDB  
that cannot be settled amicably shall be submitted to arbitration pursuant to the United Nations Commission  
on International Trade Law (UNCITRAL) rules. The use of the IDB’s name for any purpose other than for  
attribution, and the use of IDB’s logo shall be subject to a separate written license agreement between the IDB  
and the user and is not authorized as part of this license.

Note that the URL link includes terms and conditions that are an integral part of this license.

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



# OFFICE OF INSTITUTIONAL INTEGRITY AND SANCTIONS SYSTEM 2022 ANNUAL REPORT





# TABLE OF CONTENTS

- Preface**
  - Integrity as an Essential Component of Development Effectiveness* ..... 7
  
- 1. Introduction** ..... 9
  - 1.1. Our Performance in 2022 at a Glance ..... 10
  - 1.2. Highlights in 2022..... 12
  
- 2. Prevention Results** ..... 17
  - 2.1. Advice to Sovereign Guaranteed Operations ..... 18
  - 2.2. Integrity Due Diligence (IDD) Support ..... 28
  - 2.3. Anti-Money Laundering/Combating the Financing of Terrorism (AML/CFT) Framework ..... 34
  - 2.4. Trainings and Outreach Activities..... 35
  - 2.5. Key Takeaways and Challenges ..... 37
  
- 3. Results of Investigations**..... 39
  - 3.1. Outputs of Investigations ..... 40
  - 3.2. Key Takeaways and Challenges ..... 49
  
- 4. Sanctions Officer, Sanctions Committee, and Its Executive Secretariat** ..... 51
  - 4.1. Sanctions Officer Outputs ..... 54
  - 4.2. Key Takeaways and Challenges ..... 60
  - 4.3. General Overview of the Sanctions Committee (SNC) Activities ..... 61
  - 4.4. Key Takeaways and Challenges ..... 65
  
- Appendix I: Prohibited Practices**..... 67
- Appendix II: Entities and Individuals Sanctioned in 2022** ..... 68
- Appendix III: Cooperation Agreements** ..... 70
- Appendix IV: Glossary**..... 72



## ACRONYMS

- ADB** | Asian Development Bank
- AfDB** | African Development Bank
- AML/CFT** | Anti-Money Laundering/Combating the Financing of Terrorism
- CAN** | Country Department Andean Group
- CCB** | Country Department Caribbean
- CCO** | Chief Compliance Officer
- CID** | Country Department Central America, Haiti, Mexico, Panama, and Dominican Republic
- CSC** | Country Department Southern Cone
- 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”)
- INE** | Infrastructure and Energy Sector
- IRR** | Integrity Risk Review
- 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
- ORT** | Outside of Risk Tolerance
- PCR** | Project Completion Report
- ROI** | Reports of Investigation
- SG** | Sovereign Guaranteed
- SME** | Small and Medium Enterprises
- SNC** | Sanctions Committee
- SO** | Sanctions Officer
- SOC** | Statement(s) of Charges and Evidence
- WBG** | World Bank Group

## PREFACE

### Integrity as an Essential Component of Development Effectiveness

Latin American and Caribbean (LAC) countries are facing many challenges. The impact of the pandemic, compounded by the effects of climate change, inflation, socioeconomic instability, and growing inequality have disproportionately affected the region and its most vulnerable populations. Against this backdrop, the fight against corruption has stalled in several countries, with the region's overall *Corruption Perceptions Index* remaining unchanged for the fourth year in a row, according to Transparency International. Citizens throughout the region are demanding greater accountability, integrity, and stronger institutions.

The IDB Group is working to support the most innovative solutions to the region's significant challenges and to contribute to improving the lives of people in LAC. Ensuring that the IDB Group's operations achieve their goals in this complex context requires strong risk mitigation, including integrity safeguards. These safeguards not only seek to ensure the proper use of resources and maintenance of standards that reflect our institutional values, but also help to improve the overall integrity environment. This, in turn, contributes to the achievement of economic recovery and the future growth of the region, by building the capacity of public entities and private sector clients, and by protecting the reputation of the programs in which they participate.

Over two decades ago, the IDB established the Office of Institutional Integrity (OII) with the mandate to reduce integrity risks in the projects we finance. Complementing this effort, in 2011 the IDB created the Office of the

Sanctions Officer and the Sanctions Committee, thus constituting the current Sanctions System of the IDB Group. We are proud to deliver a report that highlights the robustness of this system as it stands today and the institution's strong commitment to integrity.

In 2022, OII recorded an all-time high in the number of consultations received on both public and private sector operations, highlighting the importance the institution is placing on early prevention of integrity risks. We deepened our comprehensive and integrated approach to integrity risk management, innovating based on our accumulated knowledge, with an emphasis on external cooperation and on creating synergies across the entire IDB Group. OII's investigative efforts continued to focus on cases that identified systemic risks and extracted lessons for operational teams. For the first time ever, the investigations produced a 100 percent success rate on decisions by the Sanctions System, which

responded with forceful deterrence measures to the more complex and egregious findings of prohibited practices.

The Sanctions System continued to adapt to a more complex and litigious environment for cases, and to the need for a compliance-oriented approach. In parallel, the IDB and larger MDB community witnessed a significant victory in US courts, which confirmed that the MDBs' integrity mechanisms are able to administer integrity safeguards such as sanctions in an independent manner, free from interference by national courts.

As the nature of integrity risks evolve, OII and the Sanctions System continue to adapt. We recognize that effective and efficient development results may only be achieved by working together to ensure that integrity remains at the heart of IDB Group projects, and we will continue to work tirelessly in support of this goal.

**LAURA PROFETA**

*Chief of the Office  
of Institutional Integrity*

**JUAN G. RONDEROS**

*Sanctions Officer  
for the IDB Group*

**ADRIANA DANTAS**

*Chairperson of the IDB Group  
Sanctions Committee*

**INTRODUCTION**

# 1.1 Our Performance in 2022 at a Glance

The Office of Institutional Integrity (OII) and the Sanctions System operate under an integrated 360-degree approach to protect and add value to IDB Group-financed activities by preventing and mitigating integrity risks and taking appropriate

enforcement actions when prohibited practices occur. This approach safeguards Sovereign Guaranteed (SG) and Non-Sovereign Guaranteed (NSG) operations, as well as corporate projects and services, throughout the complete transaction cycle.

FIGURE 1. A 360-DEGREE INTEGRITY APPROACH

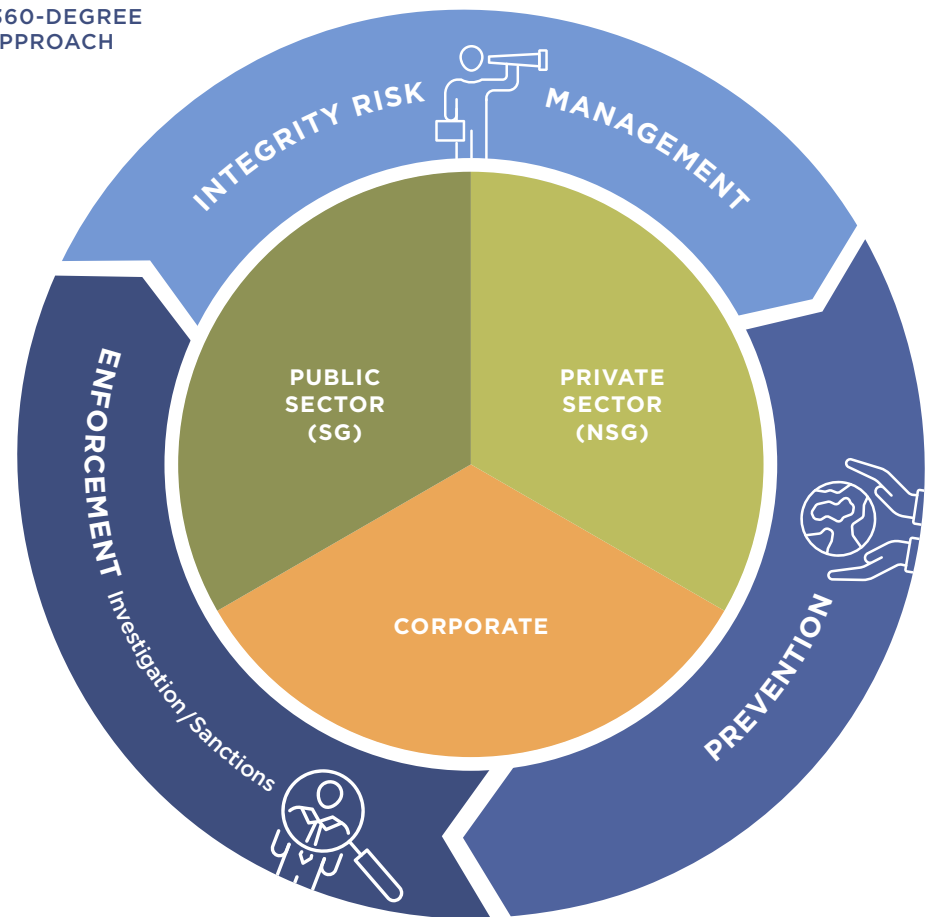


TABLE 1. OUR PERFORMANCE IN 2022

ADVICE TO SOVEREIGN GUARANTEED OPERATIONS	INTEGRITY DUE DILIGENCE SUPPORT	INVESTIGATIONS	AML/CFT	SANCTIONS
<p><b>347</b> Consultations</p> <p><b>8</b> Reports of Investigation and Advisory Notes</p> <p><b>12</b> Integrity bulletins</p>	<p><b>1,285</b> Consultations from IDB Invest</p> <p><b>166</b> Consultations from IDB Lab</p> <p><b>35</b> Consultations from ORP</p>	<p><b>129</b> Active complaints (113 processed)</p> <p><b>80</b> Preliminary and full investigations (23 completed)</p> <p><b>74%</b> High-impact investigations</p> <p><b>100%</b> Success rate on final decisions by the Sanctions Officer and Sanctions Committee</p>	<p><b>17</b> Business units implemented AML/CFT controls</p>	<p><b>62</b> Determinations by the Sanctions Officer</p> <p><b>13</b> Decisions by the Sanctions Committee</p> <p><b>174</b> Debarments imposed by MDBs recognized (cross-debarred)</p>
<p><b>32</b> Trainings</p>				

## 1.2 Highlights in 2022

### PREVENTION

OII received the highest number of consultations of any year to date from the IDB, IDB Invest, IDB Lab, and from the Office of Outreach and Partnerships (ORP), which reflects significantly **more complex integrity analyses, a broadening culture of consultation, and recognition of integrity and reputational risk indicators.**

#### PREVENTION IN SG OPERATIONS – OII

- Addressed 347 consultations, representing an 18 percent increase over 2021. Most of them related to guidance on how to address red flags and past integrity events that could affect programs' achievements or the Bank's reputation.
- Strengthened the capacities of key partners in country offices and Executing Agencies (EAs) to manage integrity risks by delivering 24 training sessions.

#### PREVENTION IN NSG OPERATIONS – OII

- Responded to 1,285 consultations for IDB Invest and 166 consultations for IDB Lab, representing an increase of 5.7 and 1.2 percent, respectively, over 2021.
- Prepared and delivered the first “Advisory Note” for an NSG operation. This document builds on the preliminary findings of OII

relating to the project, identifies control gaps, and recommends actions to improve integrity risk management.

#### DUE DILIGENCE ON PARTNERSHIPS

- OII responded to 38 consultations by the Office of Outreach and Partnerships, almost triple compared to 2021.

#### AML FRAMEWORK IMPLEMENTATION

- OII led the efforts to implement the controls recommended under the IDB's AML/CFT Framework in 17 different business units within the IDB and consolidated its compliance role related to the Framework.

### INVESTIGATIONS

OII outperformed the previous year with 12 significant outputs such as Statements of Charges and Evidence, Requests for Temporary Suspensions, and Negotiated Resolution Agreements, and managed a higher volume of appeals and hearings, all of which resulted in successful sanctioning decisions.

- A very high percentage of these investigations involved significantly complex, high-impact cases, continuing this trend in OII's

investigatory work. This demonstrates the success of OII's strategy, which prioritizes assessment of systemic risk and achievement of the greatest impact through its investigations.

- Despite the high complexity of its cases, and for the first time, OII achieved a 100 percent success rate on decisions by the Sanctions System in 2022.
- OII also achieved a record of three completed Negotiated Resolution Agreements (NRAs).

### COORDINATION AND COOPERATION

- OII resumed in-person meetings with the Chief Compliance Officers (CCOs) and other Heads of Integrity who are OII's direct counterparts in the other Multilateral Development Banks (MDBs), resulting in productive exchanges of best practices and harmonization efforts, including agreement on Principles for Business Integrity (Compliance) Programs.
- OII continued to expand its network of formal cooperation agreements with national and international authorities, and fully leveraged such arrangements in several cases. In 2022, OII added three new agreements, reaching a total of 28 signed to date.

### SANCTIONS OFFICER (SO)

The SO experienced an increase in submissions by Respondents and by Monitors concerning compliance programs, which required additional review and interaction with each party, continuing the trend that began in 2020 and 2021. These compliance programs seek to improve the integrity practices of sanctioned entities and help safeguard the companies' operations in the future.

### SANCTIONS COMMITTEE

- The Committee issued 11 decisions. This constituted an increase of 37 percent in the number of decisions issued, compared to 2021 outputs.
- The Committee started two initiatives geared towards enhancing the impact of its work by strengthening its internal capacity and the ability to manage increases in the inflow of cases, and by integrating a compliance-oriented approach.



## « U.S. court confirms that the Bank’s investigations and Sanctions System are immune from suit and not subject to re-litigation in court »

In 2020, respondents in a fraud, corruption and collusion case pending at the sanctions stage sued the Bank in a federal court of the United States. The respondents (plaintiffs in the U.S. litigation) claimed, among other issues, that throughout the investigation and sanctions proceedings, the Bank breached contractual rights owed to them. Consequently, they requested an injunction to terminate the Bank’s proceedings and the award of undetermined damages.

The Bank claimed immunity from suit in the U.S. granted by its charter and the International Organizations Immunities Act (the “IOIA”), whereas the plaintiffs contended that their claims fell within exceptions to immunity, including the “commercial activity” exception. As part of its argument that such activities are not commercial, the Bank pointed out that its investigations and Sanctions System are akin to those of a sovereign, and that they fully incorporate due process protections, including the right to appeal.

On June 3, 2022, the U.S. Court of Appeals for the District of Columbia Circuit ruled that the Bank’s investigations and sanctions processes are not of a commercial nature, and, in fact, are considered like investigations and sanctions regimes of governments.

«In accordance with this mandate [to ensure proper use of Bank resources], the IDB uses its Sanctions Procedures, and the threat of debarment, to identify, root out and deter

*fraud and waste in the use of public funds, in the same manner as many sovereigns, including the United States, and the European Union.»*

Rosenkrantz et al. v. IDB, D.C. Cir. (June 3, 2022)

As a result, the Court of Appeals upheld the Bank’s immunities and the case was dismissed, leaving the final determination on the merits of the underlying prohibited practices case to the Sanctions System.

[...] Permitting judicial scrutiny of IDB sanctions proceedings would simultaneously conflict with the IDB’s mandate [...]. «One can reasonably foresee future subjects of sanctions proceedings “halt[ing] or delay[ing] those proceedings by filing suits in the courts of the IDB’s member countries,” thereby frustrating the IDB’s ability [to root out corruption and safeguard its funds] with any sort of economy and efficiency. This would be especially true if such suits are, over time, brought in the courts of different IDB member states, potentially leading to inconsistent judgments and directives.»

Id., (citations in the original are omitted)

This landmark jurisprudence recognizes the MDBs’ investigations and sanctions systems as a mechanism designed to promote integrity in support of these institutions’ development mandate and charter requirement of ensuring that resources are used for their intended purpose.

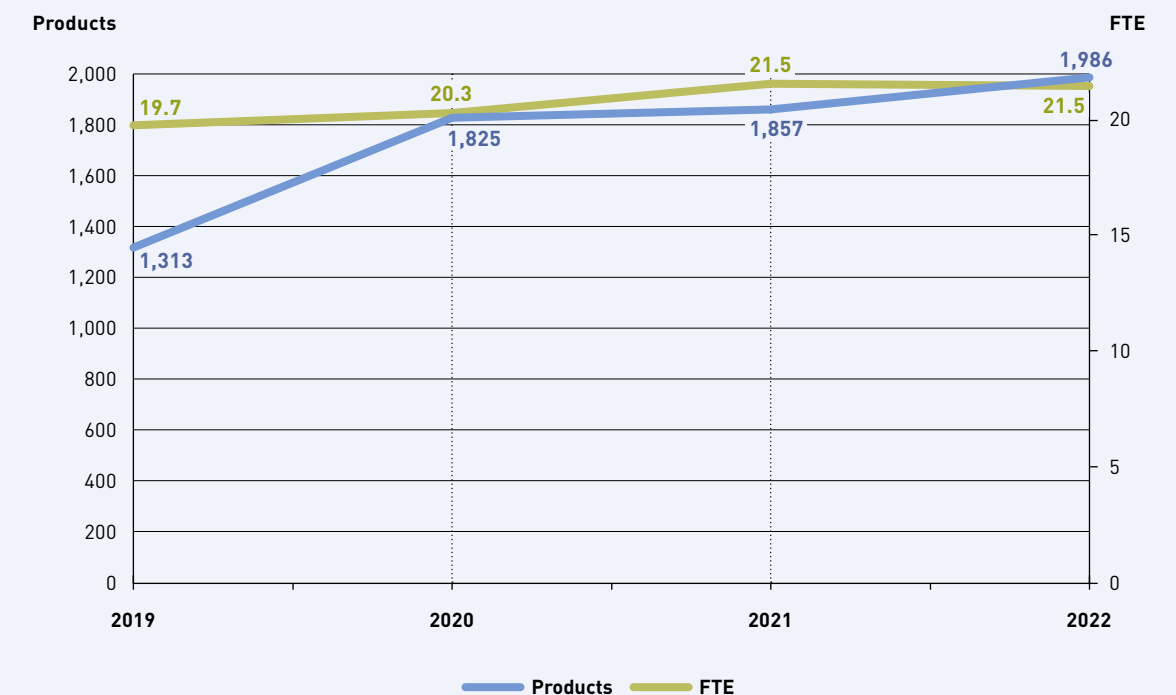
## USE OF RESOURCES/ EFFICIENCY

In 2022, OII continued to respond to the increased demand for its services with an unchanged level of its labor force, demonstrating a high level of efficiency (see Figure 2).<sup>1</sup> OII fully utilized its budgeted

resources, and continued to provide support to IDB Invest and IDB Lab through Service Level Agreements with each.

Similarly, the Office of the SO increased its products in 2022 without changing its labor force.<sup>2</sup> Even though the number of Case Synopses was less when compared to

FIGURE 2. OII’S EFFICIENCY: PRODUCTS/YEAR VS. FTES (2019-2022)



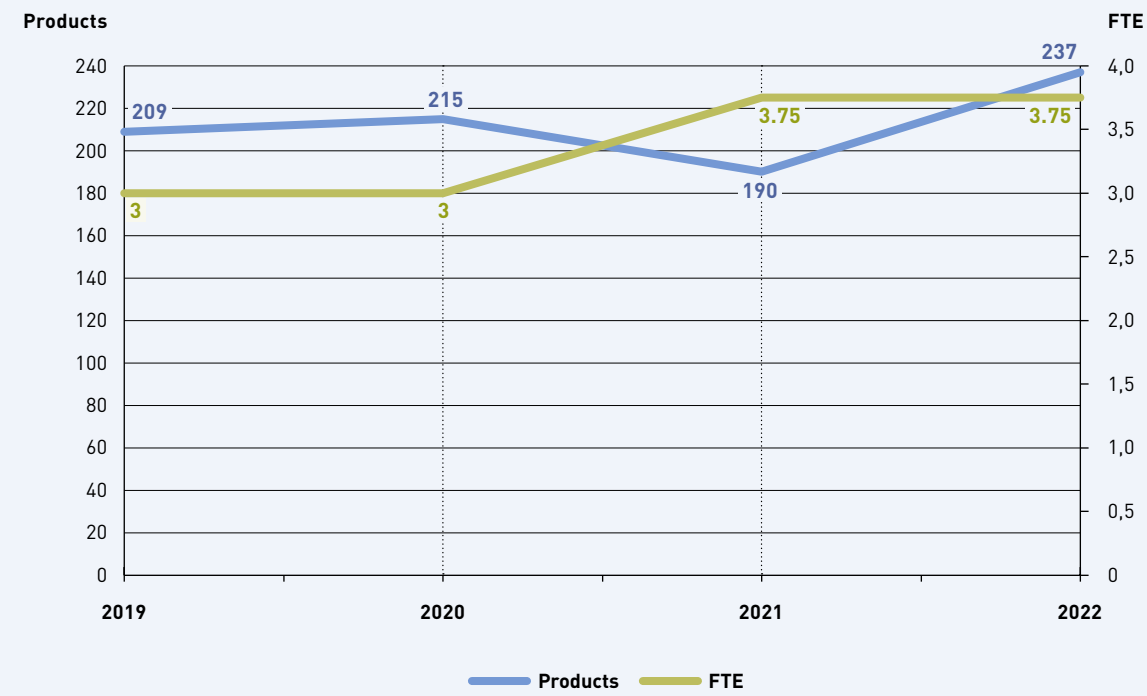
1. OII’s products are defined as follows: for Prevention, the number of SG and NSG consultations, risk analyses, and trainings to internal and external parties; and for Investigations, completed or closed cases, closed matters, and submissions to the SO. Workforce is measured by the Full-Time Equivalent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

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

2021, there was an increase in Compliance Oversight products, number of submissions by Respondents and Monitors, and number of interactions to assess the quality of

compliance actions taken by the parties. The compliance oversight process continues to grow steadily both in volume and complexity (see Figure 3).

**FIGURE 3. SO'S EFFICIENCY: PRODUCTS/YEAR VS. FTES (2019-2022)**



# / 2 /

## PREVENTION RESULTS

The integrity risks for the IDB Group’s financed activities remained elevated in 2022 due to the challenges Latin America and the Caribbean face. Rising inflation and other global shocks have slowed down the pace of recovery, opening opportunities for integrity risks to materialize. On the supply side, businesses still facing delays in global value chains and rising inflation that affects their bottom line are more prone to cut corners during the implementation of works or provision of goods, misrepresent information to win a public procurement or justify cost overruns, or seek favorable treatment through the payment of bribes or other means. On the demand side, the effects of a slower economic recovery and the rising cost of living increase

the likelihood of requests for kickbacks and bribes. Several sources, including Transparency International, have documented perceptions of stalled efforts to fight corruption.

In this context, **OII continued to advance its efforts to advise the IDB Group’s operational and corporate teams on how to manage integrity risks and mitigate possible reputational impact, including by working with strategic partners and other divisions.** As a result, there is a broadening culture of consultation within the IDB Group, an increased focus on prevention, and a recognition of the importance of integrity and reputational risk management to the success of project objectives.

## 2.1 Advice to Sovereign Guaranteed Operations

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

### CONSULTATIONS ON SG OPERATIONS

OII has been pursuing a proactive strategy to address integrity risks, with consultations as part of this approach. Throughout 2022, OII’s

engagement with IDB operational teams to advise them on integrity risk management through consultations continued to grow in absolute terms and complexity. In total, OII responded to 347 consultations, 18 percent more than in the same period in 2021. Out of the 347 consultations in 2022, 319 were related to individual programs and 28 were related to cross-cutting issues or corporate activities, covering the full spectrum of projects and transactions financed by the IDB.

**The 2022 increase is part of a long-term trend.** Consultations related to operations in most sectors increased significantly between 2019 and 2022 (see Figure 4). OII believes

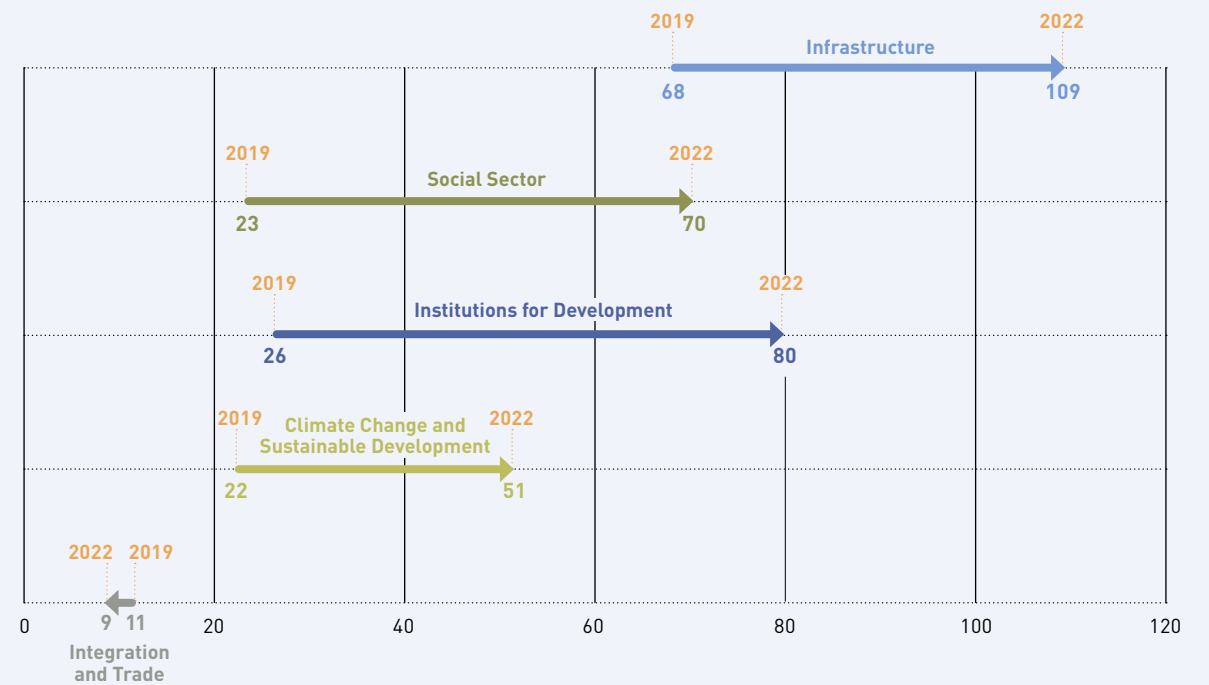
that the continued increase in the demand for its advisory services is in response to a greater awareness and recognition by IDB Management and operational teams who proactively manage integrity risks to deliver better results. Advice pertaining to operations from the Social and Institutions for Development sectors experienced the most significant jump in the last four years. At the same time, the highest number of consultations is consistently related to infrastructure programs.

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

- Offers guidance to project teams and managers on assessing and mitigating integrity risks and reputational impact.
- Proactively identifies integrity risk indicators that require mitigation or SG preventive inputs.
- Advises on compliance with the Bank’s operational policies related to integrity or in response to such policy requirements.

In 2022, almost 60 percent of the consultations OII handled were triggered by specific integrity risk indicators identified by operational staff (directly or as communicated by EAs) or by OII. The other 40 percent of the consultations aimed

FIGURE 4. CONSULTATIONS BY SECTOR (2019-2022)



Note: Figure excludes consultations not related to a specific sector or related to multiple sectors.

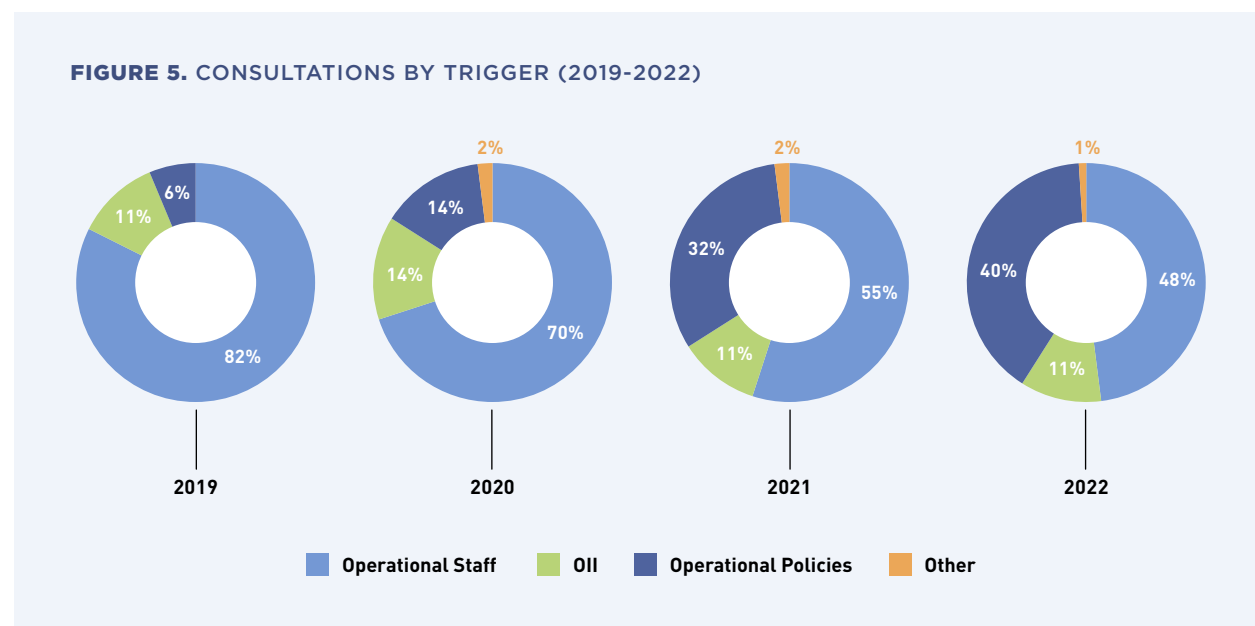
at complying with integrity requirements in guidelines for preparing Project Completion Reports (PCRs), Results Based Loans, and Bank-executed operational work (see Figure 5).

Throughout 2022, OII was most frequently consulted on the assessment of situations that could negatively impact the Bank’s reputation. These situations, that could also directly affect the implementation of activities financed by the Bank, were related to past integrity issues, such as the history of EAs and contractors; potential conflicts of interest; or a red flag for a prohibited practice. The advice provided by OII included enhanced due diligence by EAs, adjustment of bidding documents to request additional information so that EAs could make more informed decisions, increased financial reassurances, or separation of responsibilities of individuals with conflicted interests.

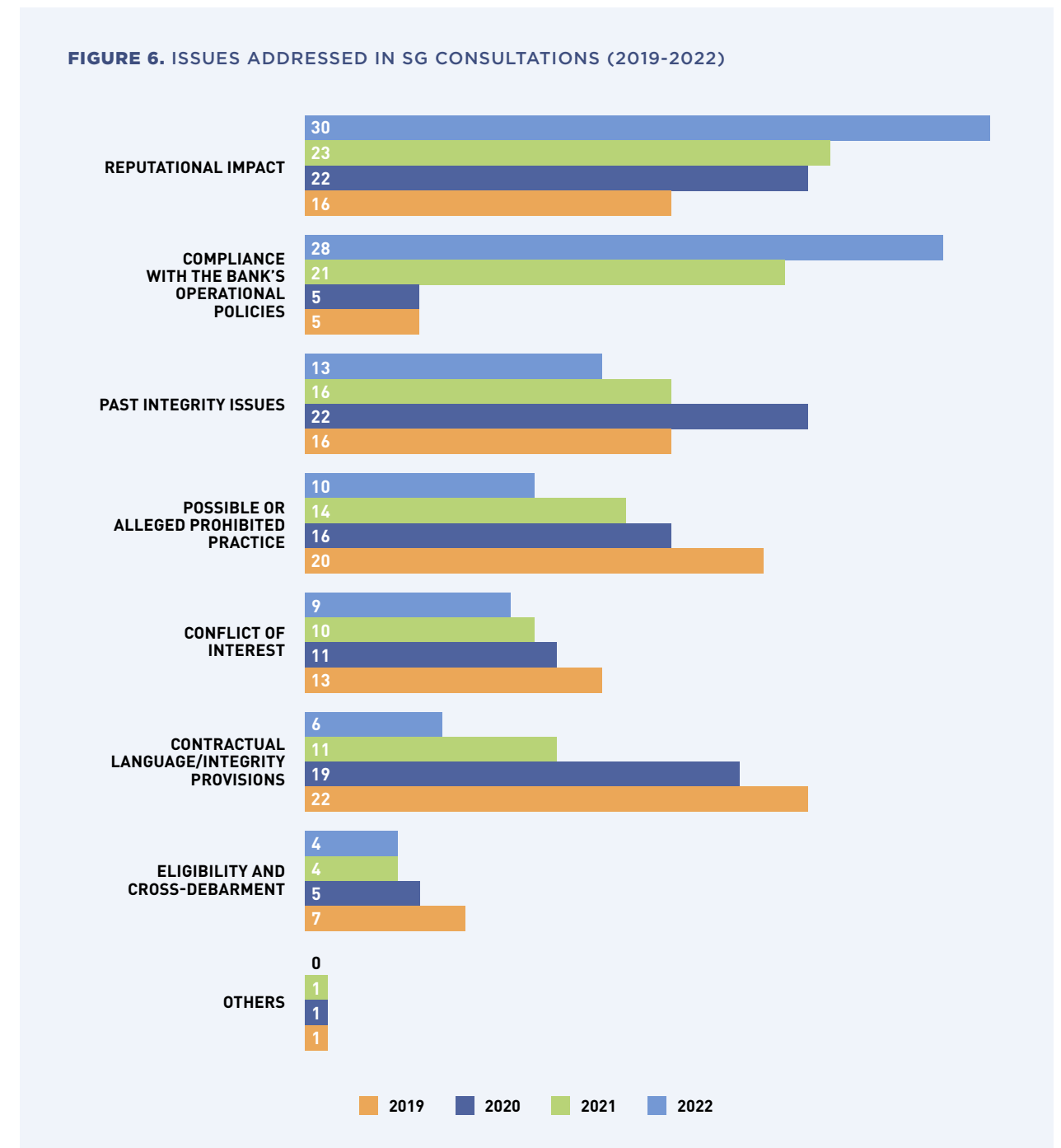
Additionally, OII worked on media monitoring with Country Offices to detect early indicators of situations that could harm the reputation of the Bank or programs it finances.

Other prominent issues on which OII was consulted included confirmation that the program PCRs reflected relevant integrity-related lessons to inform future operations, ensuring that the IDB’s integrity provisions were adequately addressed in programs and individual activities regardless of the execution modality (see Figure 6).

In 2022, consultations that were directly related to supporting member countries to respond to the COVID-19 pandemic represented only 1 percent of OII’s SG integrity risk management advice (a decrease from 6 percent reached in 2021 and 22 percent reached in 2020).



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



Note: Some consultations involved more than one issue; therefore, the total number of issues depicted in this figure is greater than the total number of consultations.

## #Case Study 1 Past Integrity Issues as a Source of Reputational Impact

A project team supervising a strategically vital program to improve and rehabilitate roads in a member country received a request from the EA to provide the Bank's non-objection to award a million-dollar contract to a construction company.

However, through press articles and other media coverage, the project team became aware of a national investigation relating to this company and its alleged involvement in corruption schemes at different public institutions (including the EA) in non-IDB financed activities. The project team contacted OII for advice on proceeding with the non-objection request.

### ACTIONS BY OII

After confirming with the project team that it had not identified potential red flags of favoritism in the EA's evaluation report, OII confirmed that the firm was eligible to be awarded an IDB-financed contract. Nevertheless, OII also recommended the following actions:

- # Use contractual language to require the firm to notify the EA of any

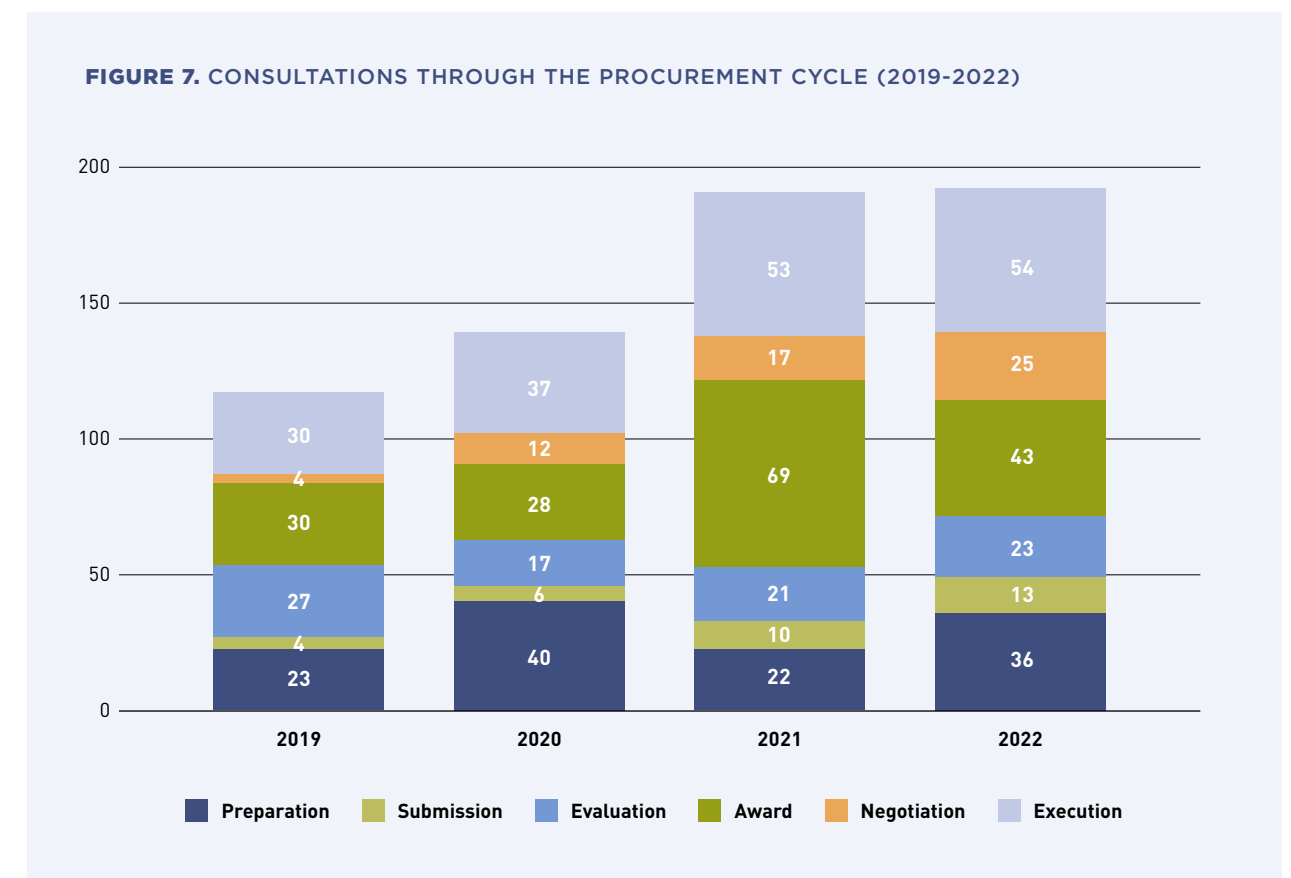
adverse decision related to the national investigation that could affect its capacity to perform the works throughout the contract's life cycle.

- # Require disclosure by the firm of all the subcontractors to be involved in the works for enhanced supervision and due diligence by the Bank to identify potential integrity or reputational risks.
- # Perform enhanced due diligence on any contractual amendment by the Bank and the EA.
- # Hire a supervision consultant at the Bank to supplement the project team's visits with independent random visits to the field.
- # Work with the IDB Country Office to monitor local press and media references to the project and the contractor.

In addition, OII continued to monitor the program subject to the national investigation and obtained relevant information through its cooperation agreement with the prosecutorial agency in the country concerned.

Of the 347 consultations handled by OII's SG prevention team in 2022, 54 occurred during the preparation stage of the programs, 204 occurred during their implementation, and 78 related to the preparation of PCRs. This data represents a continued and improved focus on monitoring projects during implementation when risks can be most significant. Consultations for operations in implementation called for advice regarding risk factors identified in procurement processes, as most of them required an analysis of red flags detected during the award of the contracts.

The advice provided during the evaluation, award and negotiation phases of procurement processes represented 45 percent of the consultations received during the implementation phase of the programs in 2022 (see Figure 7). These consultations involved the assessment of red flags that could indicate a possible prohibited practice, as well as assessments of the impact that the integrity history of the participating entities might have on the IDB-financed activities or on the reputation of the Bank and the programs.



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



Figure 8 illustrates the regional distribution of SG consultations according to where the programs are implemented.

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

### INTEGRITY RISK REVIEWS (IRR)

As part of OII’s prevention activities, the Office conducts risk analyses of programs, sectors, or cross-cutting themes to identify and assess integrity risks that might affect the ability to achieve the expected results of an IDB-financed program. In 2022, OII completed the fieldwork for an IRR on a program implemented by a State-Owned Enterprise that is key for the IDB’s work in the respective member country. As a separate exercise and to analyze cross-cutting topics from an integrity risk management perspective, OII conducted a desk review and assessment of issues that could affect the supervision of infrastructure contracts. The reports on these two risk reviews will be issued by OII in 2023.

As a result of an IRR OII conducted in 2021 (regarding an EA in charge of transport programs in a member country) OII received several consultations in 2022 from the agency itself. These consultations show the impact of OII’s analyses in the EA’s institutional capacity and were related to findings of newly implemented due diligence routines performed by the EA that are recommended by the IRR. OII was able to advise the EA with the assessment of the risks and recommended mitigation measures, based on the results of its previous assessment.

### MANAGING RISKS IN THE INFRASTRUCTURE SECTOR

In 2022, OII and the Infrastructure and Energy Sector (INE) worked together to develop materials and tools to enhance integrity risk management in IDB-financed infrastructure programs. This approach takes into consideration the high

demand for OII’s advice in this sector and the fact that, according to international literature and OII’s experience, infrastructure exhibits elevated integrity risks due to the high value of contracts and the technical intricacy of the goods, works, and services involved, as well as the number of entities typically participating in each project. This joint effort between INE and OII seeks to define a sustainable long-term strategy to improve risk assessments and strengthen the toolbox of measures available to mitigate integrity risks.

### REPORTS OF INVESTIGATION (ROIS)

OII extracts lessons learned from investigations and shares this knowledge with Management and operational staff through Reports of Investigation (ROIs) and Advisory Notes. ROIs assess deficiencies or weaknesses identified during the investigation of an IDB Group-financed operation. The reports also recommend concrete areas of action that project teams can take to address them. Advisory Notes focus on time-sensitive indicators of integrity risk that are communicated to operational staff and Management while an investigation is underway and recommends immediate actions to address imminent risks.

In 2022, for the first time, OII issued these Advisory Reports and Notes highlighting investigative lessons and provided recommendations for every type of IDB Group-financed activity (SG Operations, NSG Operations, and corporate activities), further reinforcing OII’s 360-degree approach to integrity risk management. OII prepared six ROIs for IDB-financed operations and a corporate procurement, one for an IDB Lab-financed project, and issued an Advisory Note relating to an IDB Invest-financed operation.

## #Case Study 2

### Fraudulent Practice from an Undisclosed Conflict of Interest Related to Previous Employment

A project team identified red flags of a potential conflict of interest in an IDB-financed technical cooperation operation and consulted OII. The source of the conflict was an individual who worked in the EA and was included in a bidder's proposal as key personnel of Company A. As part of the EA, the individual had had a role in drafting the terms of reference for the consultancy contract.

#### ACTIONS BY OII

OII recommended the firm's disqualification based on its assessment that the conflict of interest could not be resolved by only removing the individual from Company A's team. OII considered that the potential transfer of insider information to Company A could not be undone, and as such, the knowledge transfer presented an integrity risk and an unfair competitive advantage for Company A.


After the project team received OII's advice, the EA canceled the bidding process and launched a new one. However, the terms of reference remained the same, and Company A was invited to

submit a proposal once more. In this second process, Company A removed the individual from its bid and represented that it did not have a conflict of interest. The EA awarded the contract to Company A.

In parallel, OII initiated an investigation to determine whether the company had engaged in fraudulent practices. The investigation was completed in 2022, and the results found that the company hired and paid the individual to advise the company in preparing its proposal for the consultancy. It also revealed that the company was well aware of the individual's previous role at the EA and that the individual was hired for that reason, but the company did not disclose this in its proposal.

#### OII'S RECOMMENDATION

For future programs implemented by this EA, OII recommended that project teams adopt effective controls to manage conflicts of interest. In addition, in 2023, OII will work on materials to improve the overall capacity of project teams and EAs to manage these conflicts.



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

## 2.2 Integrity Due Diligence (IDD) Support

As part of its mission relating to integrity and reputational risk management in Non-Sovereign Guaranteed (NSG) operations and other relationships with private sector entities, **OII provides regular IDD support to three different units: IDB Invest,<sup>3</sup> IDB Lab, and the Office of Outreach and Partnerships (ORP).** In 2022, OII reached an all-time high in the number of consultations received from each of these three units.

### A | SUPPORT TO IDB INVEST<sup>4</sup>

Throughout 2022, OII responded to 1,285 consultations for IDB Invest, which represents a 5.7 percent increase over 2021 and an 8.4 percent increase over 2020 (see Figure 9). Of those consultations, 910 were related to projects in origination and 375 related to projects in supervision. The significant number of consultations on projects in supervision in recent years (the figure was 408 in 2021) reflects an increased emphasis on portfolio monitoring as part of integrity risk management.

The IDD support to IDB Invest is anchored in the IIC Integrity Framework and has three components:

- Know-your-customer reviews focused on potential counterparties, as well as other relevant entities.
- Assessments of the anti-money laundering systems of financial institution counterparties.
- Assessments of the risks, including certain tax-related risks, presented by counterparties with cross-border corporate structures.

Based on these assessments, OII advises IDB Invest on whether a project presents:<sup>5</sup>

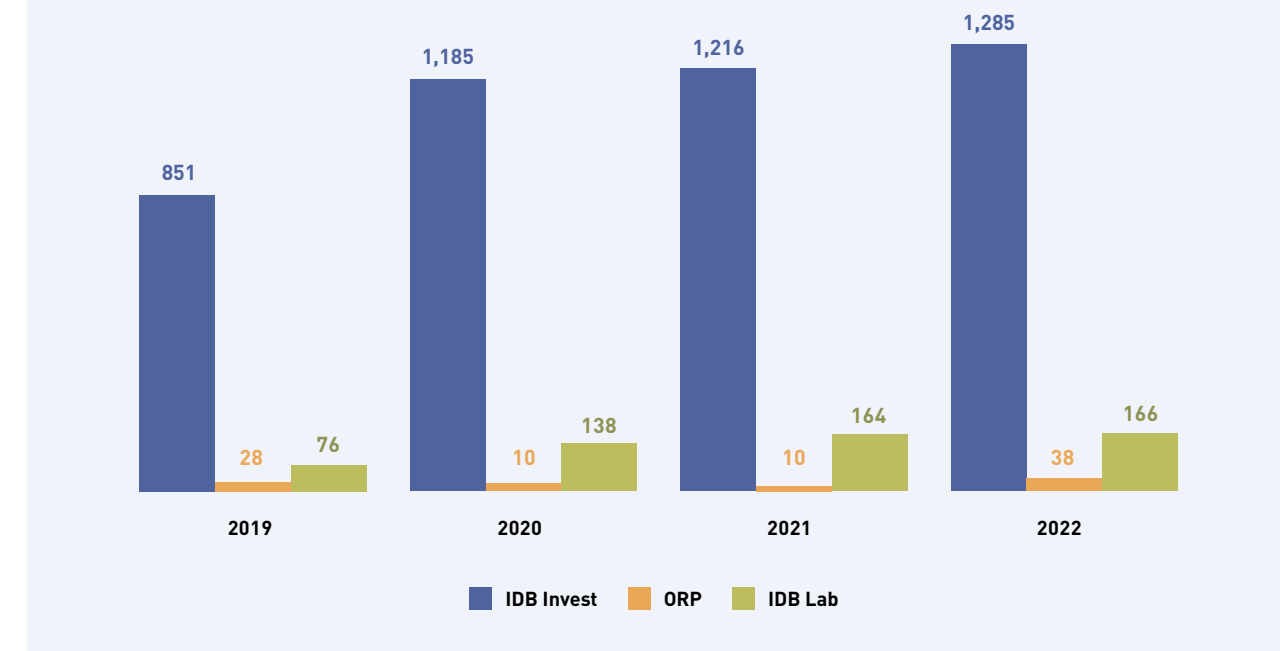
- Minimal integrity and reputational risks that are within risk tolerance and do not merit disclosure or mitigation;
- Heightened risks that are within risk tolerance but merit disclosure to decision makers and mitigation where necessary; or
- Significant risks that are outside of risk tolerance (ORT).

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

4. 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.

5. According to the Integrity Framework, the assessment of OII of integrity risks and potential reputational impacts shall be disclosed to decision makers.

FIGURE 9. IDD CONSULTATIONS (2019-2022)



In 2022, OII provided IDD assessments on 672 separate projects (162 in origination and 510 in supervision). For the 162 in origination, OII completed full integrity risk assessments on 112 and concluded that 60 of them (53 percent) presented minimal risk; 40 (36 percent) had a heightened risk resulting in integrity disclosures and, frequently, mitigation measures; 12 (11 percent) showed significant risk and did not proceed to approval (see Figure 10). These numbers are the result of IDB Invest work over the years to reinforce its integrity culture, including by formalizing the input of OII integrity officers in all projects since 2017. As of today, integrity due diligence is understood to be a central element of IDB Invest project

evaluations, and one that frequently has impacts for other risks including credit, environmental, and corporate governance.

For the 40 projects in origination with a heightened risk, OII developed a mitigation approach tailored to the integrity and reputational risks identified. Mitigation measures frequently include, for example, a requirement that IDB Invest counterparties adopt or improve anticorruption 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



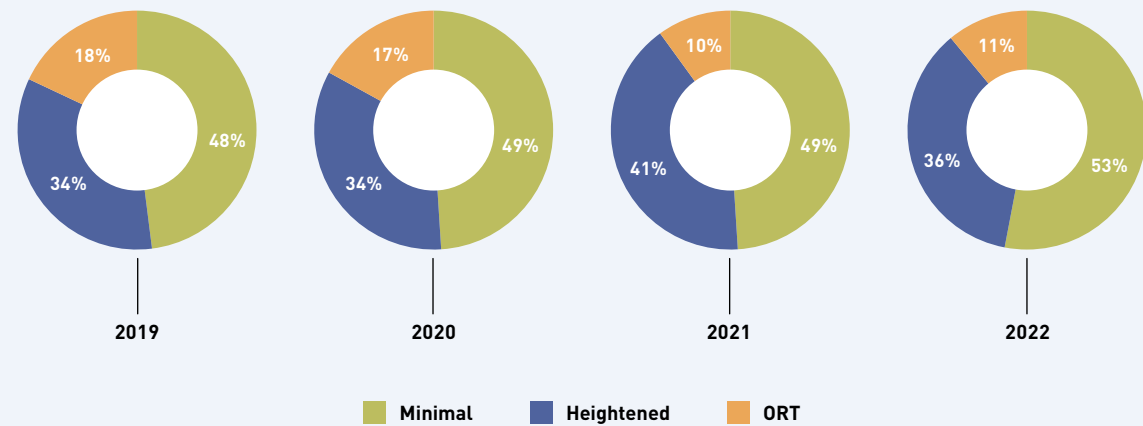
view that such mitigation measures frequently contribute to the development objectives of IDB Invest operations, in addition to reducing integrity and reputational risks.

Of the 510 projects in supervision on which OII provided IDD assessments, OII concluded that 12 merited heightened integrity monitoring and inclusion in the confidential Integrity Monitoring list that is reported on a quarterly basis to IDB Invest senior management and the Board of Executive Directors. OII in two cases recommended that IDB Invest take action to manage those risks, such as freezing or terminating a credit line. In the cases in which we recommend action, 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 operational or legal steps to manage and mitigate the integrity and reputational risks. Those risks can be mitigated by, among other possibilities, requiring or requesting the borrower to implement compliance reforms, as described in [Case Study 3](#).

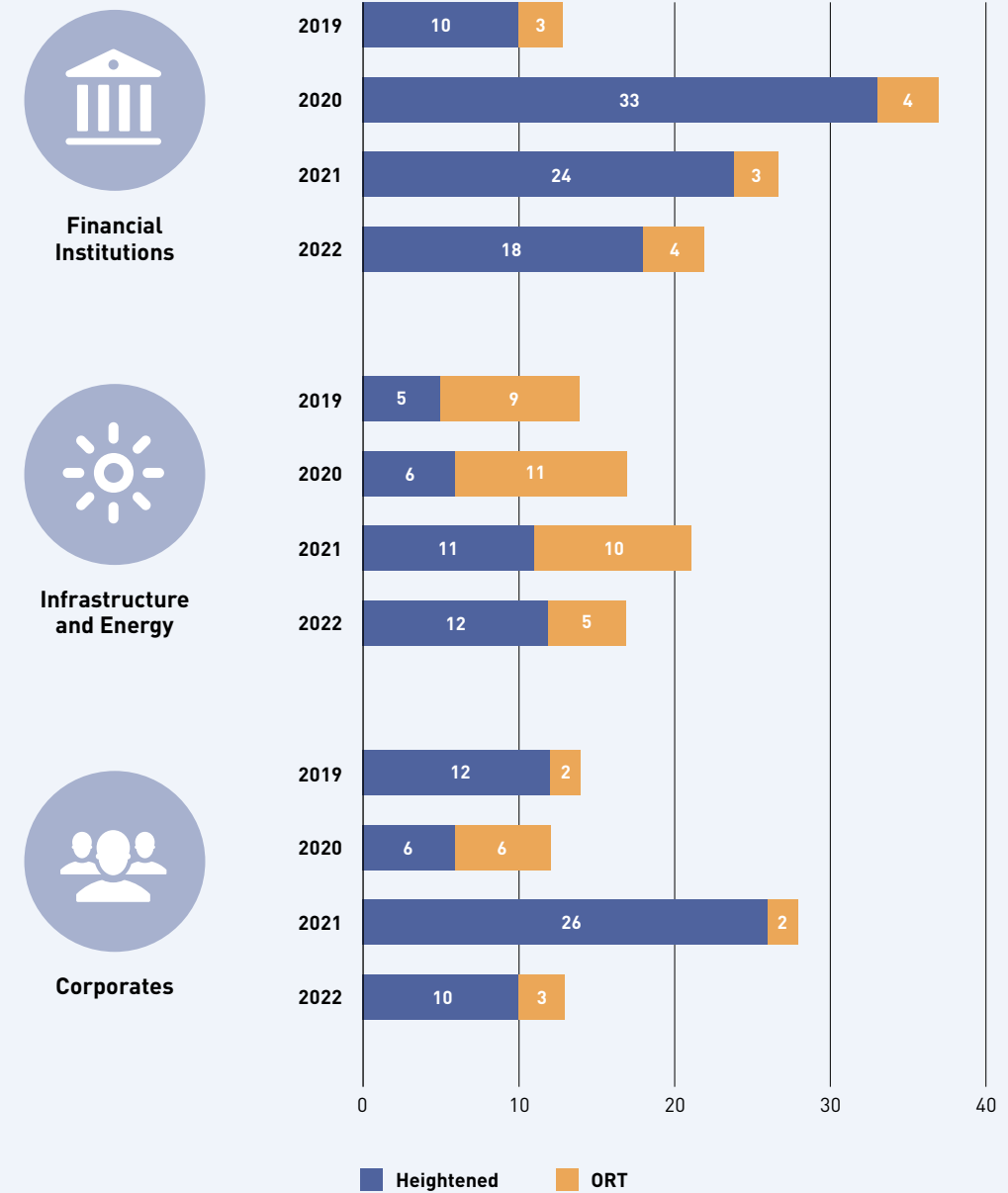
As in past years, most of the consultations that resulted in conclusions of outside of risk tolerance came from the Infrastructure and Energy Division (see [Figure 11](#)). This number has been steady over the years and is consistent with a sector that, compared to the other sectors in which IDB Invest is active, presents higher integrity risks and therefore requires further disclosure and mitigation. As previously stated, this sector also presents higher integrity risks in SG operations.

FIGURE 10. IDD INTEGRITY RISK ASSESSMENT OUTCOMES (2019-2022)



Note: ORT stands for outside of risk tolerance.

FIGURE 11. IDD OUTCOMES BY SECTOR (2019-2022)



Note: ORT stands for outside of risk tolerance.

## B | SUPPORT TO IDB LAB

In 2022, OII responded to 166 consultations related to projects in origination and portfolio for IDB Lab —almost the same number of consultations as in 2021, which reflects a sustained close coordination between the two offices. This close coordination began in mid-2020 when IDB Lab and OII first agreed that OII would assign an integrity officer dedicated to IDB Lab operations. In 2022, IDB Lab projects continued to increase in complexity. In the Investment Unit, there was a continued focus on equity investments through funds and direct investments in operating companies, while in the Discovery Unit there was a greater focus on reimbursable financing in addition to core mobilization.

OII and IDB Lab are working to develop an action plan that would address the risks identified in the Integrity Risk Assessment that OII conducted in 2021 per IDB Lab’s request, in order continue to strengthen integrity due diligence in IDB Lab projects, while at the same time accounting for its focus on nascent systems, early-stage innovations, and fast-paced operations.

## C | SUPPORT TO THE OFFICE OF OUTREACH AND PARTNERSHIPS (ORP)

In 2022, OII responded to 35 consultations by ORP —more than triple the number when compared to the 10 consultations in 2021. This reflects greater awareness of OII’s role as a support to ORP and the enhancement of AML/CFT controls within the execution of partnerships.

“In 2022, OII responded to 166 consultations related to projects in origination and portfolio for IDB Lab —almost the same number of consultations as in 2021, which reflects a sustained close coordination between the two offices.”

## #Case Study 3 Risk Management

In 2022, IDB Invest learned through its portfolio monitoring process that a minority shareholder and former board member of an IDB Invest Borrower—a regulated financial institution—had pled guilty to money laundering in connection with a corruption scheme in a matter unrelated to the project. The shareholder admitted to prosecutors that he and his family members had facilitated millions of dollars of bribes to government officials in the project host country.

to money laundering and reputational risks to the Borrower and requested that the Borrower conduct an internal investigation and share the results with IDB Invest. The Borrower complied and, after that report found no connection between the Borrower and the money laundering admission of its shareholder, OII recommended no additional mitigating actions related to the operations in the portfolio (other than annual monitoring). Important factors contributing to this determination included:

### ACTIONS BY OII

The IDB Invest portfolio management officer reached out to OII to assess the integrity and reputational risks presented by these facts. OII and IDB Invest closely monitored the evolving investigations and related press reports, and gathered additional information from the Borrower. Ultimately, IDB Invest and OII communicated detailed concerns related

# The Borrower’s cooperation with mitigation requests.

# Transparency when sharing information.

The Borrower also took this opportunity to engage an external advisor to review its AML/CFT controls and was open to making relevant compliance improvements to strengthen those controls.

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

In relation to the IDB's AML/CFT Framework, **OII performs an ongoing compliance and advisory function regarding AML/CFT risks, and supports business units with the management of AML/CFT risks in their operations.** In 2022, OII led the efforts of business units to implement the controls recommended under the AML/CFT Framework in 17 different business units within the IDB. This represented a major milestone as many controls were put in place through a new Sanctions Screening System that has significantly improved the management of AML/CFT risks while generating substantial efficiencies for the Bank. These improvements were validated early in 2022 when many countries issued a large volume of new economic sanctions, primarily in response to the Russian war on Ukraine.

While economic sanctions do not apply to the IDB, screening for economic sanctions is considered a baseline control under the AML/CFT Framework. Thus, pursuant to the noted improvements, Management conducted a review to assess potential impact to the IDB and determined that the related sanctions do not present a material risk to the Bank because there were no financial or corporate relationships with any sanctioned entity or individual. Nevertheless, preventive measures were also taken to block all sanctioned banks within the IDB's systems to avert the unlikely possibility that transactions with such institutions might occur in the future, and the Bank's counterparty data is screened on a recurring basis through continuous monitoring. These controls and preventive measures have proven sufficient to mitigate these sanctions risks.

## 2.4 Trainings and Outreach Activities

### STRONG EMPHASIS ON CAPACITY BUILDING

**Preventing corruption and other prohibited practices and managing integrity risks requires collective action and innovation.** OII uses training to build the institutional capacity of public and private actors to respond to integrity challenges. Specifically, OII uses trainings to:

- Increase awareness of the IDB Group's integrity framework, relevant policies and the corresponding responsibilities, and commitments to integrity expected of IDB

Group employees and of EAs, beneficiaries, and private sector entities participating in IDB Group-financed activities.

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

In 2022, OII started using a hybrid approach to reach different audiences after having delivered all of its workshops virtually for the previous two years because of the COVID-19 restrictions. OII delivered a total of 32 training sessions during the year (see Table 2).

TABLE 2. NUMBER OF TRAININGS BY CATEGORY

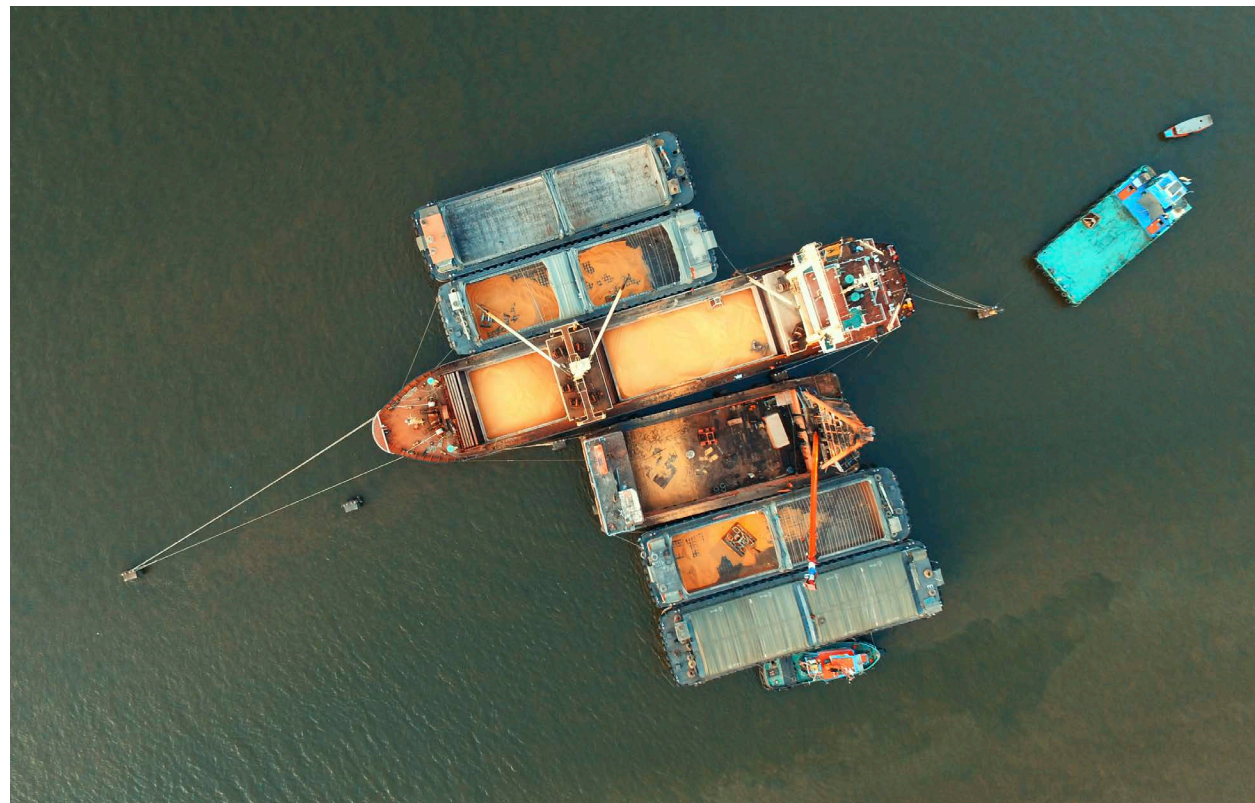
Orientation Seminar	2
Integrity in IDB Group-Financed Operations	8
Integrity Risk Management for Internal Stakeholders	4
Integrity in IDB Group-Financed Operations for External Audiences	4
Integrity Risk Management in IDB Group-Financed Operations for Executing Agencies	6
Integrity Due Diligence (IDD) Orientation	4
Contribution of Representatives to IDD	4
<b>Total number of trainings</b>	<b>32</b>

Sharing knowledge of best practices and building the capacity of EAs to manage integrity risks is one of OII's top priorities. In 2022 training for executing agencies focused on best practices to manage conflicts of interest and perform due diligence on bidders and contractors. Also, OII piloted a training session that focused on how to identify financial integrity red flags during the procurement process. Along with the Bank's Financial Management and Procurement Services Division (FMP) and the Knowledge, Innovation and Communications Sector (KIC), OII designed a self-guided training for personnel of EAs. This training includes integrity risk management

elements on procurement and financial management of IDB-financed operations.

## OUTREACH AND COMMUNICATIONS

To ensure that lessons learned and other integrity-related topics were shared with relevant internal and external audiences, **OII issued monthly integrity bulletins for the Bank's personnel and made presentations to external audiences**, including presentations at the Conference of International Investigators, the International Anti-Corruption Conference, and IDB Invest's Sustainability week.



## 2.5 Key Takeaways and Challenges

**In 2023, OII expects integrity risks to remain elevated, considering the global economic and political outlook. As a result, the Office anticipates a continuing high demand for its advisory services to support project teams during the preparation and implementation of operations.**

The increase in numbers will also continue to bring greater complexity in situations requiring consultation and advice from OII. The Office will continue to innovate on the mitigation approaches it recommends and follow up on the implementation of those recommendations to learn from the process and ensure its effectiveness.

Going forward, OII will:

- **Advance new tools and approaches** to strengthen integrity risk management throughout the life cycle of IDB Group-financed activities, particularly in the infrastructure sector.
- **Focus on and communicate the importance of effective integrity risk management**, not only as an external safeguard, but also as a key driver to mobilize resources of investors, co-lenders, and donors.
- **Continue working to strengthen the capacity of IDB Group staff, public institutions, and private sector clients** to identify and manage integrity and reputational risks adequately.
- **Contribute to an integrity and reform culture in the private sector** in order to increase development impact and as an added value to clients and member countries, including through upstream information, advisory support, and strengthened controls.
- **Catalyze interaction between NSG and SG operations and synergies** in integrity and reputational risk mitigation strategies.



**3**

**RESULTS OF INVESTIGATIONS**

## 3.1 Outputs of Investigations

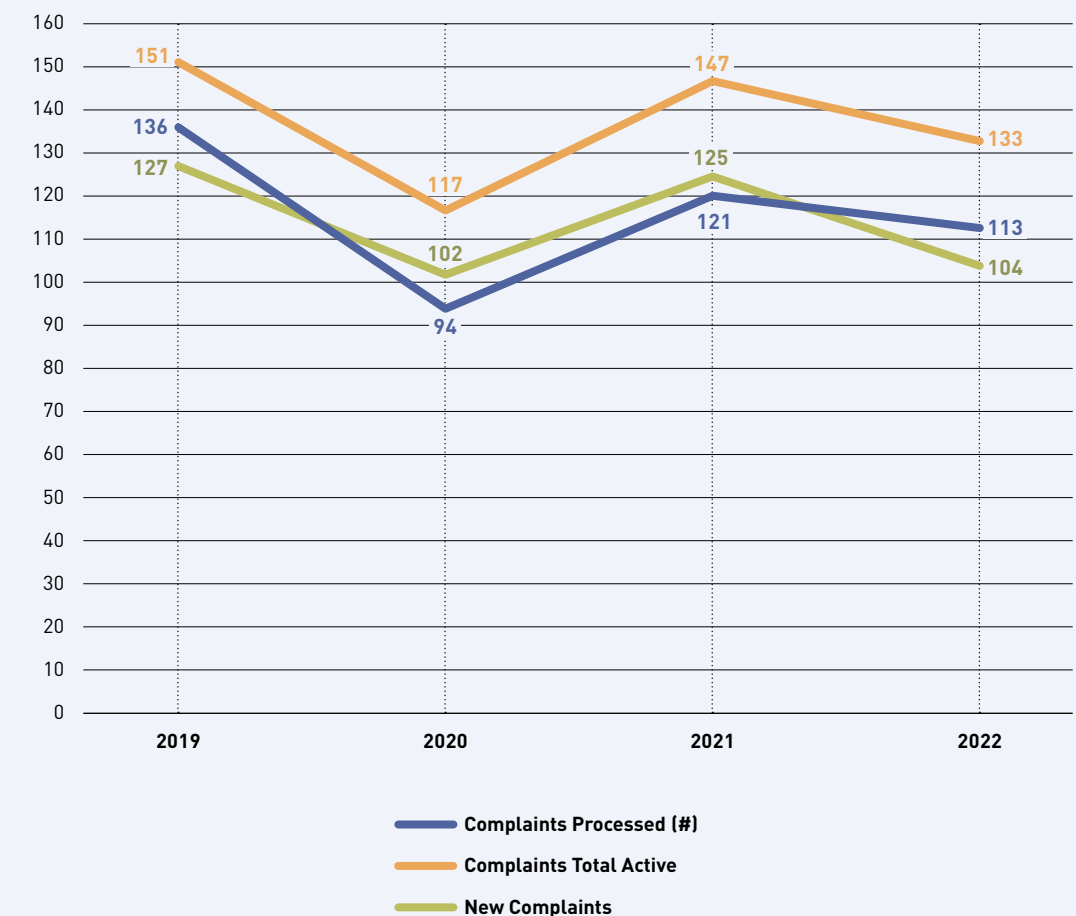
Investigators returned to the region to conduct investigative missions in 2022, which made it the first full year since the COVID-19 pandemic began that such on-site activity took place. Previously, while travel restrictions had been in effect, OII utilized outsourced investigative support for specific aspects of its work that required physical presence. The ability to resume missions at a lower cost to outsourcing is enabling the Office to address backlogged investigations that have impacted OII's average case completion processing times. While cases have taken longer to complete due to their high level of complexity and to previous travel restrictions, OII's efficiencies in case selection and effectiveness in investigation and case presentation have become apparent; specifically, this year marks the first time that

OII substantiated 100 percent of its completed full investigations, and achieved favorable results in all of the final decisions issued by the Sanctions Officer (SO) and Sanctions Committee (SNC).

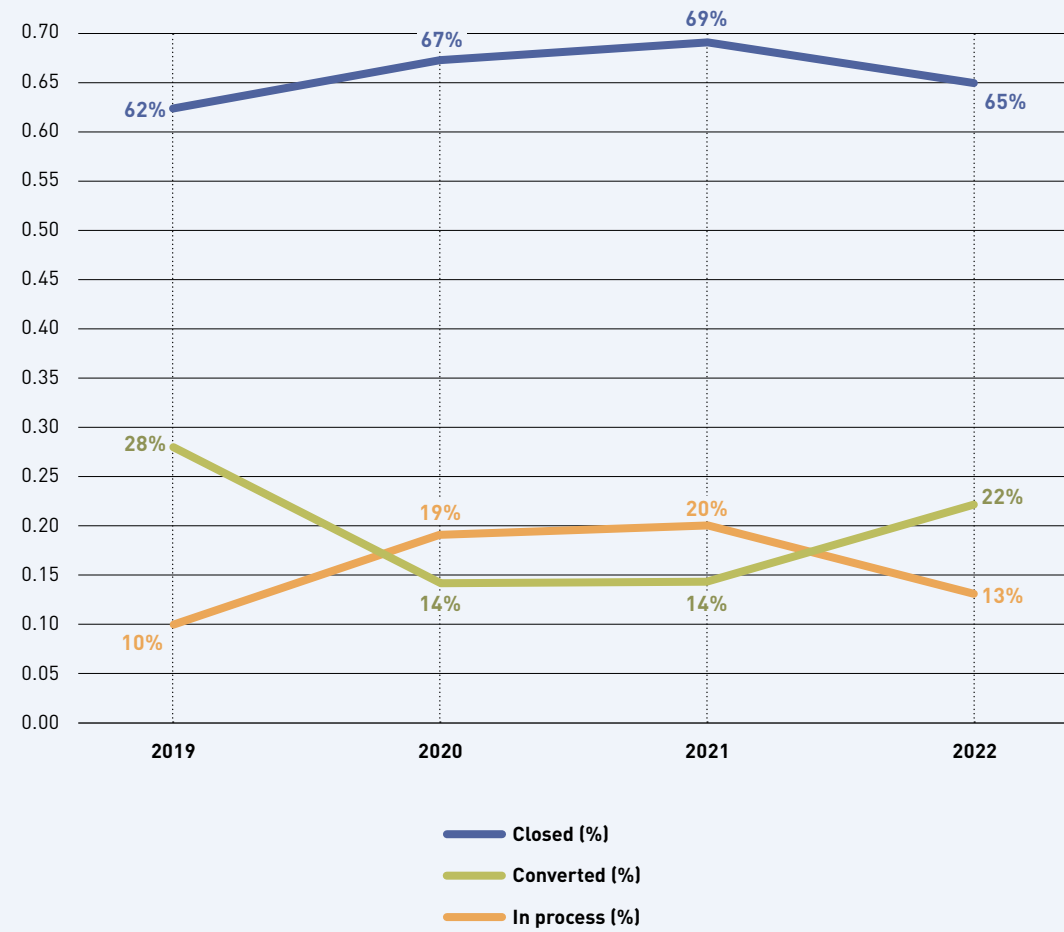
In 2022, OII received 104 complaints, approximately 20 percent fewer complaints than in the previous year (Figure 12). These numbers align with those seen in the first year of the pandemic. OII has observed similar trends in the decrease of complaints at peer Multilateral Development Banks (MDBs). Notably, 22 percent of the complaints received by OII were assessed as adequate to convert to preliminary investigations, an 8 percent increase over the previous two years (Figure 13). Complaints by region were similar to previous years (Figure 14).

**“The ability to resume missions at a lower cost to outsourcing is enabling the Office to address backlogged investigations that have impacted OII’s average case completion processing times.”**

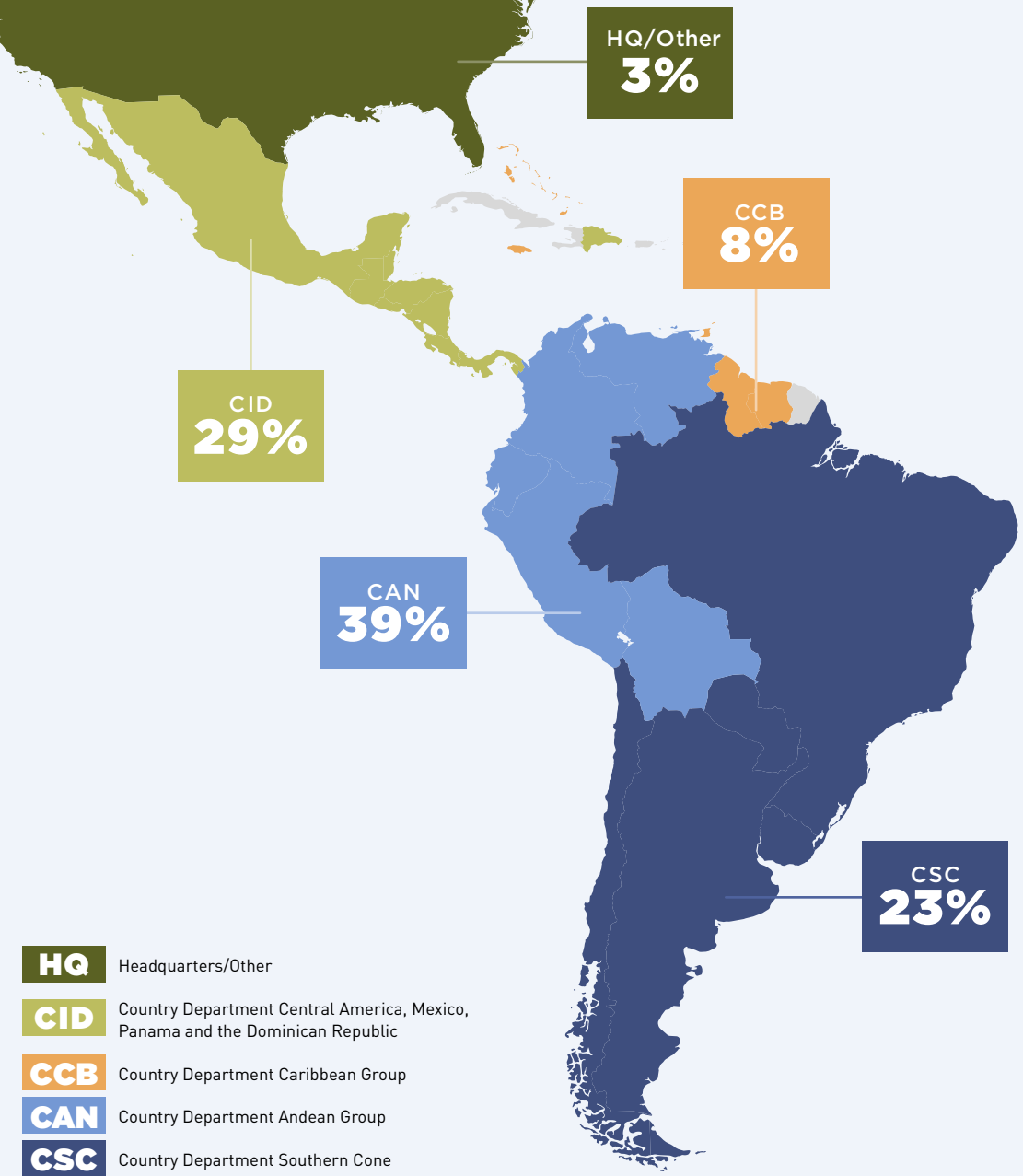
FIGURE 12. TOTAL COMPLAINTS RECEIVED, ACTIVE, PROCESSED (2019-2022)



**FIGURE 13. PERCENTAGE OF COMPLAINTS CLOSED, CONVERTED, IN-PROCESS (2019-2022)**



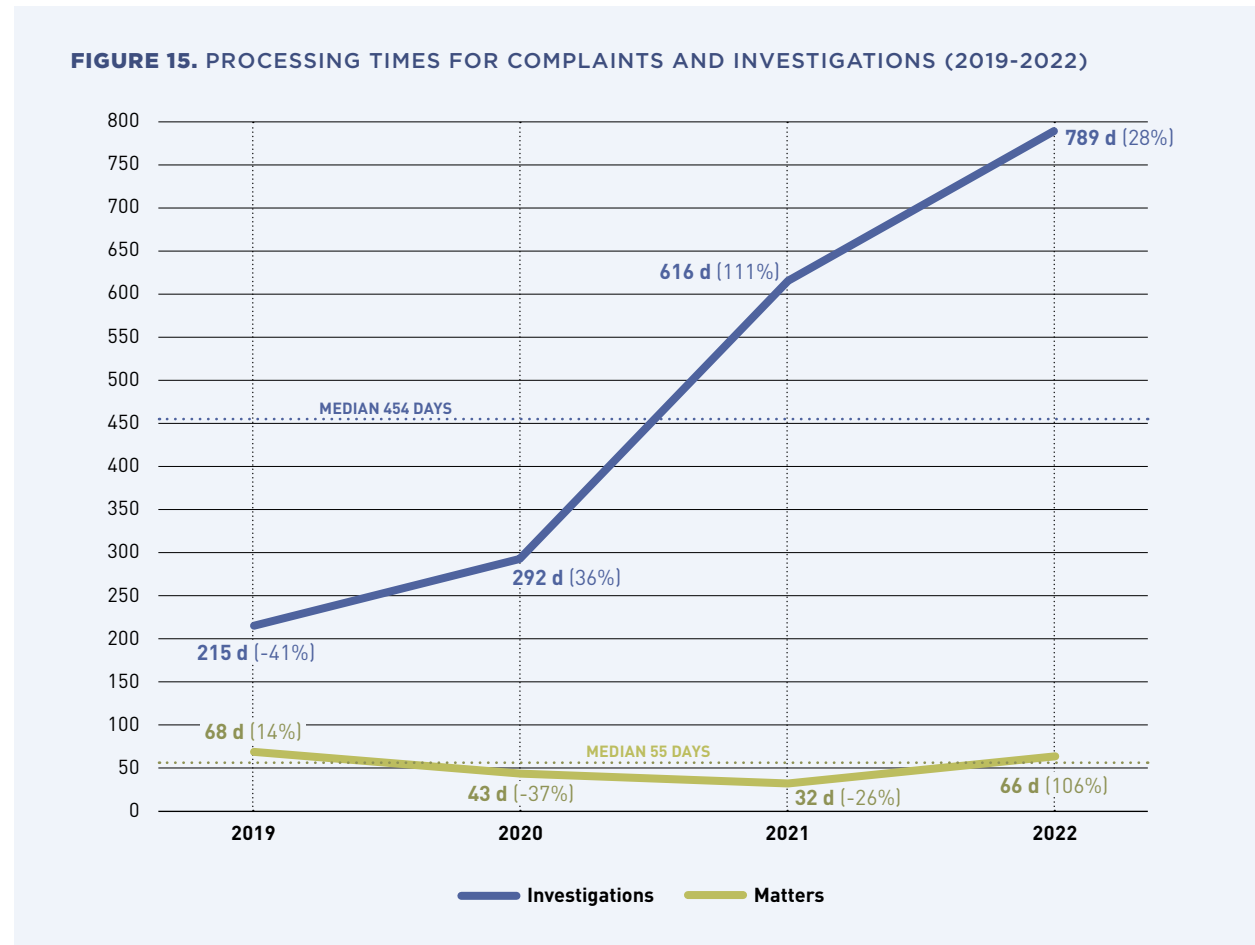
**FIGURE 14. COMPLAINTS BY IDB GROUP REGION, 2022**



The increase in credible complaints directly impacted the average processing time for complaints and the percentage of high-impact investigations at year's end. Regarding the former, credible complaints required more investigative steps and processing time than unsupported allegations (Figure 15).

In total, OII had 80 open preliminary and full investigations, completing 23 by year's end. With respect to high-impact investigations, OII had fewer investigations falling within the

category of high-impact (defined as corruption, collusion, significant financial fraud in the execution of a project, or misconduct by EA personnel). As reflected in the respective annual reports, the percentage of high-impact investigations in 2020 and 2021 was particularly greater than the median and considered atypical (Figure 15). This year's percentage (74 percent) is on par with other years and considered to be in line with OII's targets, which prioritize this category of cases since they represent the highest risks and potential impact.

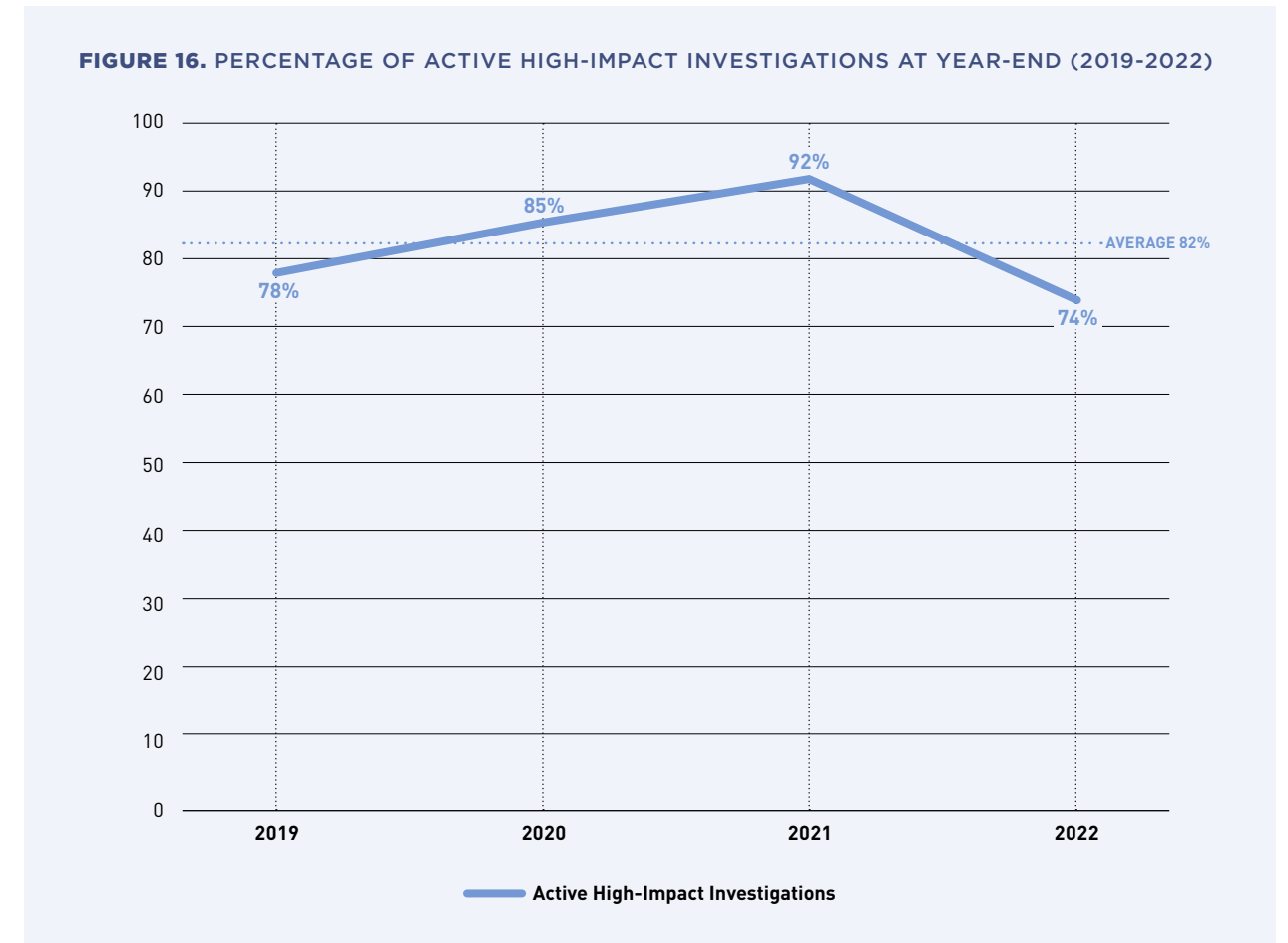


Note: Percentages (%) in parentheses indicate changes from previous year.

Although lower than the previous year, a substantial percentage of OII's completed investigations in 2022 were high impact (see Figure 16). Given the inherent complexity of such cases, the total time required to conclude investigations remained high. As was predicted in 2021, the volume of carryover high-impact cases affected the overall preliminary and full investigation case processing times for 2022, averaging 2.2 years for completion. Many of these high-impact cases also ran parallel to national

investigations, some of which benefited from close coordination between OII and counterpart national authorities. During the year, OII engaged with at least six national authorities on active investigations. Separately, OII continued to expand its cooperation with additional authorities, signing three new cooperation agreements in 2022 with national and international agencies (see Appendix III).

Despite the challenges of the high percentage of complex investigations, OII substantiated





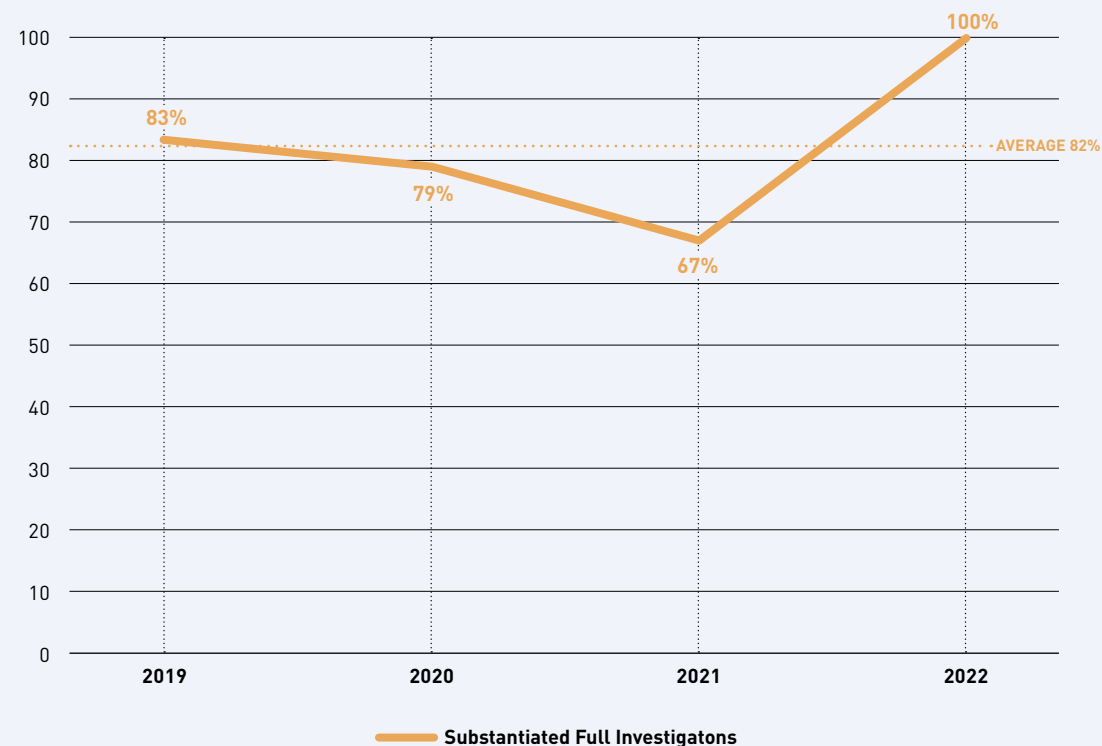
100 percent of its completed full investigations, an improvement of 33 percent over the prior year (see Figure 17). In addition, OII reached an unprecedented 100 percent favorable decision rate for cases investigated, prepared, and submitted by OII in which a final decision was issued by the SO or SNC.

Concurrent with the case decision success rate reported above, OII's outputs to the Sanctions System exceeded those of previous years. This includes the submission of Statements of Charges and Evidence (SOCs), replies to appeals, appeal hearings, requests for negotiated

resolutions, and the finalization of three Negotiated Resolution Agreements (NRAs). This is the highest number of NRAs for OII in any given year.

An NRA is a mechanism 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. When these circumstances are fully met, an NRA is considered an effective tool for incorporating cooperation, compliance, and remediation into the sanctioning regime.

FIGURE 17. PERCENTAGE OF SUBSTANTIATED INVESTIGATIONS (2019-2022)



## #Case Study 4 The Impact of Fraud on a Health Program

An EA had to procure over 30 ambulances for prioritized rural communities as part of a program to support social protection and healthcare for vulnerable populations in a member country. A company was selected to provide the ambulances for over \$5 million through a competitive process. However, the company failed to deliver any ambulances, resulting in the cancellation of the contract. The company's failure to deliver goods raised concerns that the company's proposal contained false information regarding its capacity to supply ambulances. As a result, OII conducted an investigation into potential fraudulent practices.

### ACTIONS BY OII

OII's investigation uncovered evidence that the company committed a fraudulent practice through significant misrepresentations in its offer. The company falsely presented itself as a large multinational company with longstanding experience in specialty vehicle manufacturing, as well as the owner of factories that would manufacture the ambulances required for the contract.

OII identified that the company was family-owned with no employees, possessed few to no assets, and had no demonstrable experience in the manufacturing or delivery

of ambulances. The company's lack of qualifications and assets directly contributed to its inability to provide ambulances within the period stipulated in the contract. In addition, during the investigation, the company materially impeded the investigation, resulting in an obstructive practice.

OII shared the findings and lessons learned with the project team and advised them on the need to:

- # **Strengthen the EA's capacity** to conduct due diligence on bidders, including on claimed capabilities and previous experience.
- # **Enforce requirements** for bidders' disclosure of agents and for the EA's assessment of fees paid to agents.

OII submitted to the Sanctions System charges for fraud and obstruction against the company, its affiliates, and relevant owners. The EA unilaterally canceled the contract and recovered the disbursed funds through the execution of its advance payment guarantees. As a result of the company's conduct, no ambulances were delivered, and no re-tender of the procurement was possible since the program was nearing its completion date.

## #Case Study 5 Proactive Investigation and High-Impact Results

Through OII's proactive media monitoring, the Office identified negative press coverage related to a nationally financed program similar to an existing IDB-financed program for constructing a large urban highway. The IDB-financed program funded several construction contracts exceeding a total of USD1 billion, all overseen by a state-owned transportation management entity (the EA). Media widely reported that the EA was the target of a large-scale enforcement operation that resulted in the arrest of its top officers for alleged corruption and mismanagement. Utilizing intelligence obtained regarding the national investigation, OII conducted its own investigation to determine whether corrupt practices occurred in the IDB-financed program.

### ACTIONS BY OII

OII uncovered evidence of corrupt and fraudulent practices involving multiple contracts under the program. A senior EA official had solicited bribes from contractors to guarantee no delay in payment approvals for future contract execution. The official requested that contractors

pay bribes through designated subcontractors to be hired by the companies. Hiring these subcontractors resulted in separate fraudulent expenses billed to the program. In each instance, contractors paid more than \$1 million to the official.

As a result of the investigation, sanctions were issued against companies involved in the prohibited practice.

OII shared the findings and lessons learned with the Bank's operational units, and recommended, among other actions, the need to:

- # Require more robust due diligence by EAs related to the use of subcontractors.
- # Improve dissemination of information about the Bank's independent integrity reporting channels.
- # Reinforce mechanisms to assess frequent contract modifications in large infrastructure projects.
- # Assess internal controls of the successor EA prior to approving new operations.

## 3.2 Key Takeaways and Challenges

In an effort to continue providing valuable integrity lessons learned to the IDB Group through a 360-degree approach, and enforcing the IDB Group's standards regarding prohibited practices, in 2023 OII's Investigations team intends to focus on completing existing high-impact investigations and collaborating with the Prevention team to identify risk indicators to existing and future IDB Group-financed operations. Separately, OII will continue to utilize existing cooperation

agreements and conduct new outreach to regional counterparts in an effort to expand its network with national authorities. The global network established by OII has repeatedly benefited mutual efforts to address fraud and corruption. Importantly, such efforts further development objectives towards improved accountability in borrowing member countries and are expected to lead to valuable proactive investigations that uncover systemic risks in IDB Group-financed activities.

“In 2023 OII's Investigations team intends to focus on completing existing high-impact investigations and collaborating with the Prevention team to identify risk indicators to existing and future IDB Group-financed operations.”

**4**

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



The Sanctions System is comprised of two adjudicative levels, the Sanctions Officer (SO) and the Sanctions Committee (SNC), which review the cases prepared by OII as a result of its investigative work. The cornerstone of the Sanctions System is its independence and impartiality (see Figure 18).

The SO is the first-tier decision maker and determines whether sufficient evidence supports the allegations that the Respondent engaged in prohibited practices as presented in OII's Statement of Charges and Evidence (SOC). As part of this process, the SO reviews the evidence presented by OII, assesses the Respondent's response and supporting evidence, and may request additional information from OII or the Respondent. The SO issues a Determination, and if a Respondent is found to have more likely than not engaged in a prohibited practice, the SO imposes a sanction. Sanctions for uncontested proceedings will enter into effect immediately. In contrast, in contested proceedings—in which a Respondent presents a response to OII's SOC—the Respondent has the right to appeal the sanction imposed by the SO to the SNC.

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

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

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

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

FIGURE 18. THE SANCTIONS PROCESS



## 4.1 Sanctions Officer Outputs

### STATEMENTS OF CHARGES

In 2022, the SO received nine OII submissions (five SOCs, three NRA eligibility requests, and one request for temporary suspension) and reviewed nine SOCs carried over from previous years. In 2022, there were 24 Respondents implicated in OII's nine submissions.

### 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.

### NOTIFICATION PROCESS

The SO Notice informs Respondents that sanctions proceedings have been initiated against them. Respondents then have 60 calendar days to submit a response, counted from the date of notification. This procedure ensures that Respondents receive proper notice, have an opportunity to submit a reply, and establish an efficient and effective line of communication with the Office of the SO. In 2022, the SO issued 19 Notices (compared to 48 Notices in 2021). 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 2022, the SO posted eight Notices of that kind (compared to seven Constructive Notices in 2021).

### 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 2022, the SO received two responses to SOCs for cases that will be decided in 2023. In addition, the SO received one Request for Reconsideration concerning a case of Temporary Suspension.

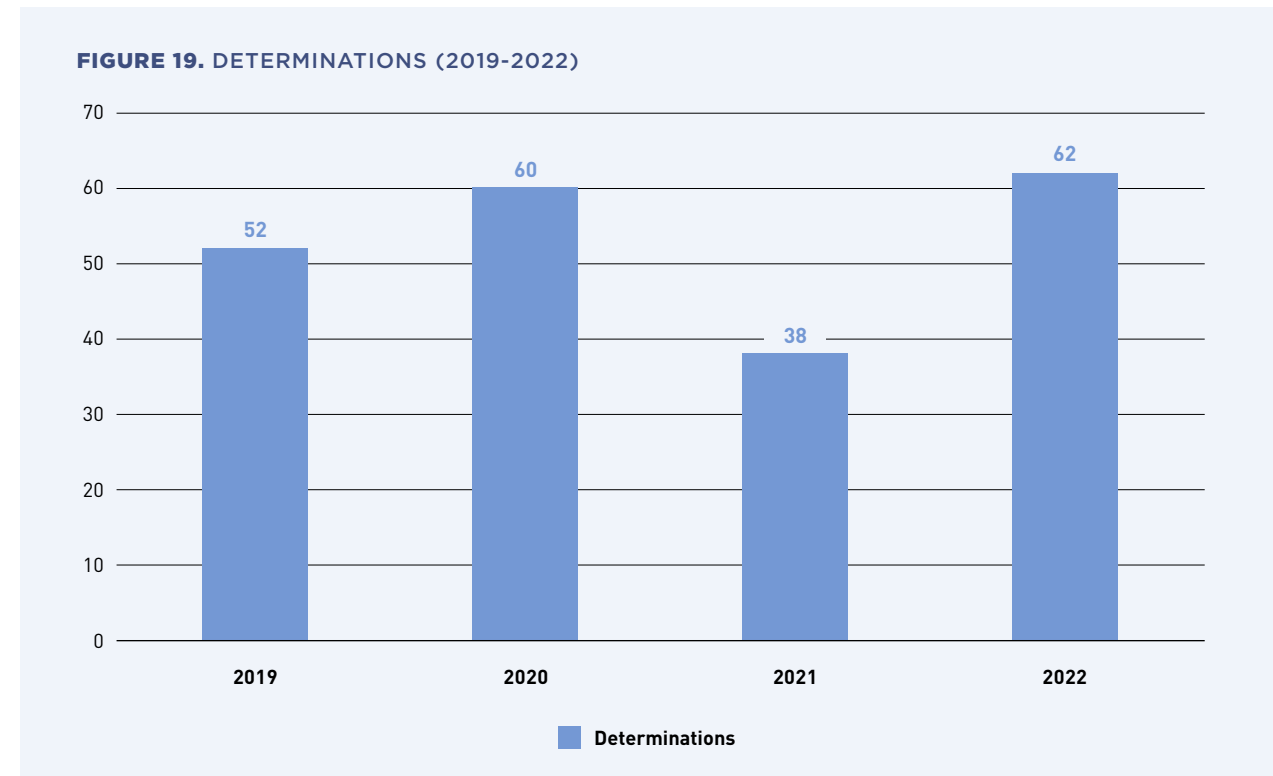
### RECORDS TO FILE

To make decisions on filed motions, extend procedural deadlines, and account for submitted determinations, the SO must issue Records to File. In 2022, the SO issued 40 Records to File, 29 percent more than in 2021. Moreover, the increase does not reflect interactions, including meetings, with Respondents and Monitors concerning compliance programs.

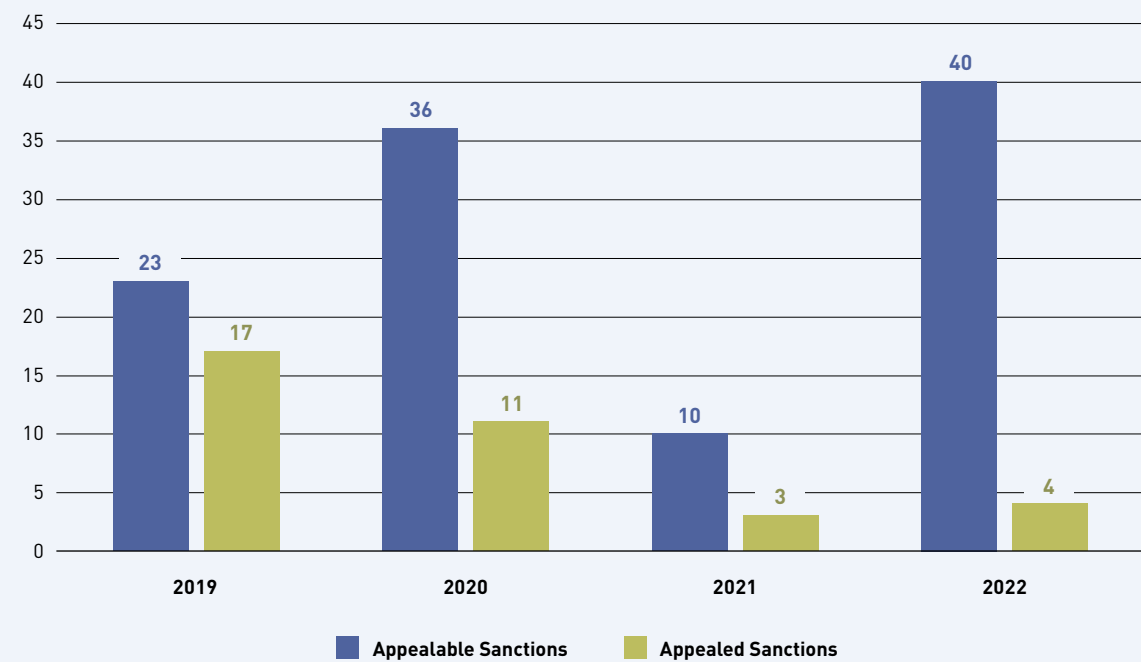
### DETERMINATIONS

In 2022, the SO issued 62 Determinations (compared to 38 Determinations in 2021) (see Figure 19). Of the 62 Determinations issued, 54 were related to SOCs, three were related to Determinations for Eligibility for NRAs, one was related to release from debarment based on achieving compliance conditions, and four were associated with Temporary Suspensions.

The SO imposed sanctions in 52 of these Determinations. Of these 52 Determinations with sanctions, 12 were uncontested and, therefore, final. The remaining 40 were contested and therefore appealable to the Sanctions Committee. Four of these appealable Determinations were appealed, four were not appealed, and the remaining 32 have appeal periods that lapse in 2023 (see Figure 20).



**FIGURE 20. APPEALED SANCTIONS (2019-2022)**



**SANCTIONS IMPOSED**

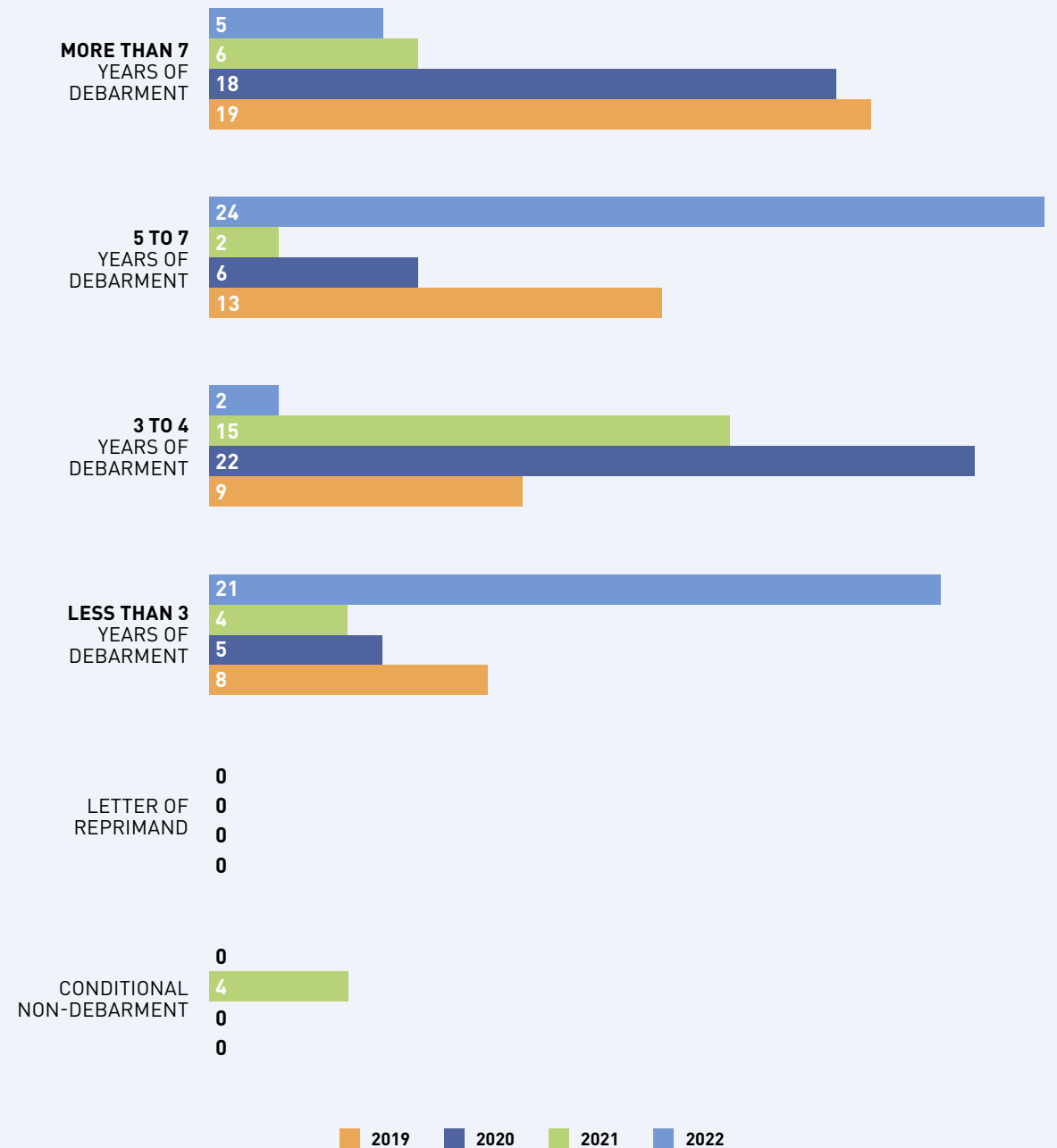
Table 3 summarizes the 52 sanctions imposed by the SO in 2022 by type of prohibited practice. Of the sanctions mentioned above, 52 debarments ranged from one and a half years to 15 years, as illustrated in Figure 21.

In total, all the sanctions imposed in 2022—and that became effective that same year—met the criteria of the Agreement on Mutual Enforcement of Debarment Decisions (Cross-Debarment Agreement) and were notified by OII for cross-debarment by the participating MDBs.

**TABLE 3. NUMBER OF PROHIBITED PRACTICES**

Collusion	1
Fraud	23
Fraud and Collusion	14
Fraud and Corruption	14

**FIGURE 21. DISTRIBUTION OF SO SANCTIONS (2019-2022)**



## COMPLIANCE

In 2022, the Office of the SO oversaw compliance programs, monitorship proposals, and implementation by sanctioned Respondents subject to conditional non-debarments or debarments with conditional release. The SO verified that these programs comply with the conditions established in the Determinations for release from the imposed sanction at the end of the established term. The sanctioned Respondents ranged from local small and medium enterprises (SMEs) to multinational corporations. Compliance programs must be adapted to their specific business models.

In 2022, monitoring integrity compliance programs continued to be one of the most active areas of work for the Office of the SO. 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 of the type mentioned in the paragraph above. The responsibilities of the SO include evaluating compliance programs in differing stages of implementation and collaborating with national authorities and other MDBs when the sanctioned firms enter into multi-jurisdictional monitorships in negotiated settlement agreements. During 2022, one respondent company met the conditions for release from sanctions, including the effective implementation of a compliance program, ending the SO's supervision. By the end of 2022, the SO was overseeing the implementation of eight compliance programs (two more than in 2021).

## RESPONSE TIME

In 2022, the average processing time for the SO to review a case and issue Determinations was 254 days, which represented a reduction of 138 days of that average in 2021.

## #Case Study 6 Parallel Collusive Agreements

OII submitted an SOC against a company and four individuals (the "Respondents") for participating in a collusive arrangement in the context of an IDB-financed bidding process to construct irrigation networks. OII accused the company and three individuals (the "Respondent Bidders") of engaging in parallel collusive agreements simulating competition to benefit another company that would be awarded the contract at a higher price.

OII accused the Respondent Bidders of collusive practices with public officials to simulate competition in a public tender. The Respondent Bidders achieved this simulation by submitting overpriced non-competitive offers. In exchange, the successful bidder was to subcontract the Respondent Bidders to perform part of the work. In addition, OII contended that the Respondent Bidders engaged in a collusive agreement with a public accountant (the "Respondent Agent"). The Respondent Agent prepared the noncompetitive offers for the Respondent Bidders. Based on OII's submission, the SO issued a Notice initiating sanctions proceedings against the Respondents.

In their responses, the Respondents denied the existence of a collusive scheme. The Respondent Agent proposed a restrictive definition of collusion as behavior occurring

exclusively among bidders. After reviewing OII's allegations and the Respondents' submissions, the SO found that it was more likely than not that the Respondents engaged in collusive arrangements. The SO rejected the restrictive notion of collusion proposed by the Respondent Agent and considered that the applicable definition is sufficiently broad to cover a wide range of collusive behaviors.

The SO concluded that the Respondent Bidders ceded to the pressure exerted by public officials and submitted overpriced ineligible offers to simulate competition in the bidding process in exchange for being subcontracted during the construction phase. The Respondent Agent, in turn, was found to have prepared the Respondent Bidders' offers almost identically, ensuring that the prices were higher than that of the company designated to win the contract. The SO considered the participation of public officials in the prohibited practice as an aggravating factor and imposed sanctions of debarment on all the Respondents.

The Respondents did not appeal the SO's Determination to the Sanctions Committee; therefore, in accordance with the Sanctions Procedures, the sanctions imposed entered into force.

## 4.2 Key Takeaways and Challenges

Following the trend of the last three years, the SO experienced an increase in the number of cases requiring enhanced scrutiny. This is explained by the more complex nature of the cases presented by OII, the number of Respondents named per case, and an increasing number of cases with outside counsel representing respondents throughout the sanctions proceedings.

In 2022, the SO added two compliance monitorships to the Office’s compliance program portfolio. As the SO’s role in overseeing monitorships expands, so does the opportunity to have a positive influence on 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.

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.

Going forward, the SO will:

- Focus on enhancing efficiencies at the different stages of the sanctions process to reduce response times at each cycle.
- Continue to engage with companies that are in the process of meeting the requirements to fulfill their conditions for release from sanctions, contributing to a culture of integrity in the private sector.

## 4.3 General Overview of the Sanctions Committee’s Activities

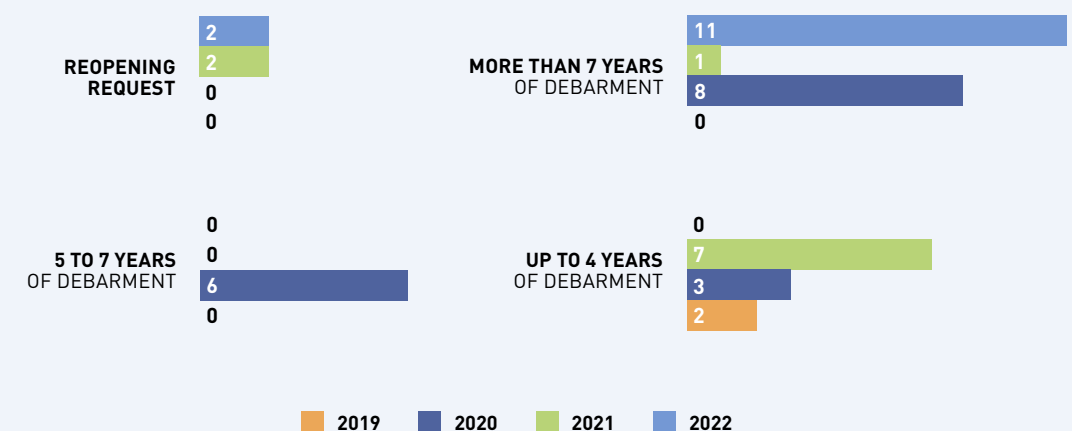
In 2022, the Sanctions Committee continued delivering on its mission, deciding cases with independence and adherence to international adjudication standards.

The Committee issued 11 decisions. This constituted an increase of 37 percent in the number of decisions issued, compared to 2021 outputs. This increase was successfully managed with an unchanged level of labor force. Instead,

the Committee and the Executive Secretariat made improvements in case management efficiency consistent with performance indicators mentioned later in this section.

The eleven decisions resulted in sanctions. Figure 22 presents the distribution of Sanctions Committee decisions for the period 2019 to 2022, including the four requests to reopen cases, filed by parties in accordance with section 8.7 of the Sanctions Procedures.

FIGURE 22. DISTRIBUTION OF SANCTIONS COMMITTEE DECISIONS (2019-2022)





The Committee managed these cases using remote communication technology, with deliberations and hearings occurring mostly via video conference to accelerate decision making, generate efficiencies, and ensure continuity of work despite pandemic restrictions.

During 2022, the President of the IDB renewed the mandate of one internal member and nominated one new alternate member from IDB Invest. The President also appointed a new Executive Secretary selected in a competitive international process. The current membership of the Committee is presented in **Table 4** below.

### SNC OUTPUTS

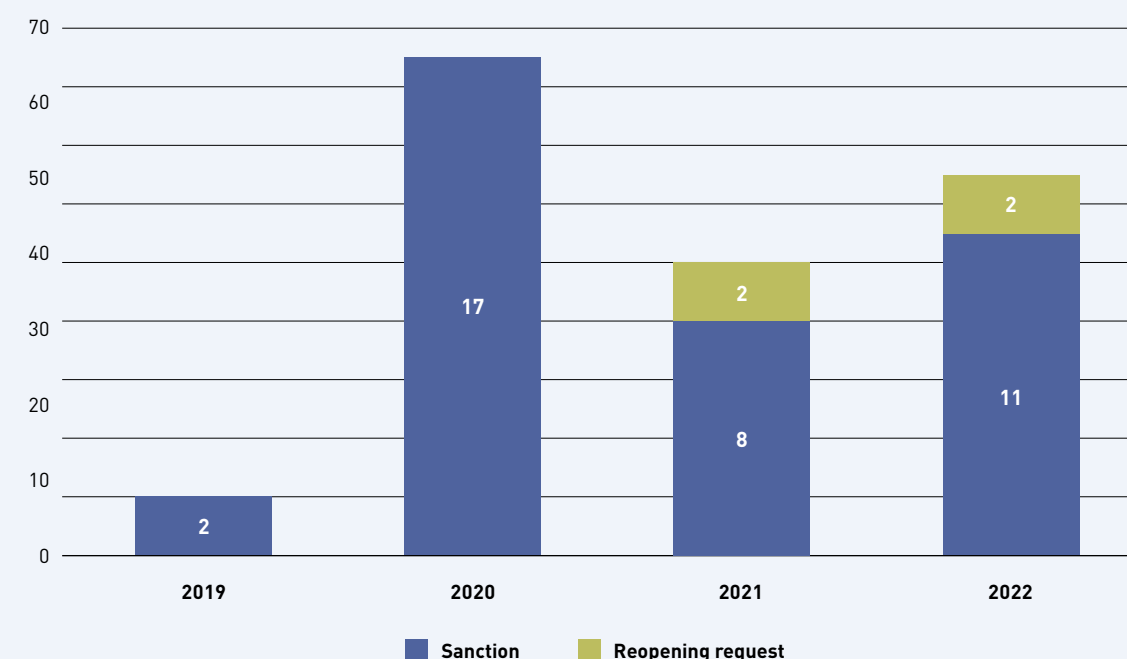
In 2022, the Sanctions Committee received four new appeals and two requests from respondents to reopen cases. All appeals received by the Committee were related to fraudulent practices.

The Executive Secretariat drafted 132 communications (i.e., related to debarments, cross-debarments, and decisions) to OII, respondents, country representatives, and executive directors.

**TABLE 4. MEMBERS OF THE IDB GROUP SANCTIONS COMMITTEE**

NAME	FIRST TERM	SECOND TERM (IF APPLICABLE)
<b>Ms. Adriana Dantas</b> Chairperson and External Member	Jan. 2021 - Dec. 2025	
<b>Mr. Roberto Manrique</b> Vice-Chairperson and Internal Member	June 2020 - June 2023	
<b>Mr. John A. Detzner</b> External Member	Jan. 2011 - Dec. 2015	Jan. 2020 - Dec. 2024
<b>Mr. Don Scott De Amicis</b> External Member	May 2015 - April 2020	May 2020 - April 2025
<b>Mrs. Geovana Acosta</b> Internal Member	July 2019 - July 2022	Extended for a second term
<b>Mrs. Maria Camila Uribe Sánchez</b> Internal Member	June 2020 - June 2023	
<b>Mr. Gavin Lee Parrish</b> External Member	Jan. 2021 - Dec. 2025	
<b>Mr. Jorge Pacheco Klein</b> Alternate Internal Member	Nov. 2022 - Nov. 2025	

**FIGURE 23. SANCTIONS COMMITTEE'S DECISIONS (2019-2022)**



### CROSS-DEBARMENT DECISIONS

The 11 debarments issued by the Sanctions Committee met the requirements for cross-debarment and were communicated to the other MDBs by OII, consistent with the existing Cross-Debarment Agreement.

in 2022. From this total number of debarments, 48 had been issued by the Sanctions Officer and 11 had been issued by the Sanctions Committee. The Executive Secretariat also published 174 debarments that were imposed by other MDBs and recognized by the IDB Group under the Cross-Debarment Agreement (see Appendix II for a detailed list of the entities and individuals sanctioned in 2022 by the IDB Group).

### LIST OF SANCTIONED FIRMS AND INDIVIDUALS

As the administrator of the list of sanctioned firms and individuals, the Executive Secretariat published 59 debarments imposed by the IDB Group Sanctions System that became effective

### PERFORMANCE INDICATORS

The processing time for issuing decisions increased due to several requests for extensions filed by respondents, and a concentration of appeals during the early stages of the pandemic.

## #Case Study 7

### Debarment of Various Entities Controlled by a Firm Involved in Corrupt and Fraudulent Practices

The Sanctions Committee sanctioned eight respondents for fraudulent and corrupt practices related to the execution of IDB-financed health sector projects in two member countries.

#### ACTIONS BY THE SANCTIONS COMMITTEE

Based on the evidence reviewed, the Sanctions Committee determined that it was more likely than not that the main respondent firm and one of the individual respondents had given payments to a public official involved in one of the projects to improperly influence him. The Committee also found that evidence showed it was more likely than not that

the main respondent firm and another individual respondent had misrepresented information for one of the projects in the offer submitted, with the purpose of being awarded a public contract.

The Sanctions Committee issued sanctions against those three respondents, debarring them from participating in IDB Group-financed projects for 10 years. Upon determining that the main respondent firm controlled five other respondent firms, which were established in various countries, the Sanctions Committee extended the debarment to those respondent firms to prevent evasion of the sanctions established, thereby safeguarding the effectiveness of the Sanctions System.

## 4.4 Key Takeaways and Challenges

The Committee's independence has been key in ensuring robust decisions, thereby contributing to the Sanctions System's credibility as it continues to evolve to meet the challenges of increasingly complex cases. In addition, the Committee started two initiatives geared towards enhancing the impact of its work by strengthening its internal capacity and its ability to manage increases in the inflow of cases, and by integrating a compliance-oriented approach as part of its work.

Moreover, cognizant that an effective sanctions system should not only be robust but agile, the Committee is adapting its internal processes to respond on a timely basis to the increase of cases brought to the Committee, with a target going forward of reducing the resolution time by 25 percent.

“The Committee started two initiatives geared towards enhancing the impact of its work by strengthening its internal capacity and its ability to manage increases in the inflow of cases.”

# APPENDIX

## Appendix I Prohibited Practices

### **CORRUPT PRACTICE**

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

### **FRAUDULENT PRACTICE**

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

### **COERCIVE PRACTICE**

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

### **COLLUSIVE PRACTICE**

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

### **OBSTRUCTIVE PRACTICE**

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

### **MISAPPROPRIATION**

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

## Appendix II

# Entities and Individuals Sanctioned in 2022

■ Determinations made by Sanctions Officer
 ■ Decisions made by the Sanctions Committee
 ■ Negotiated Resolution Agreements

	NAME	ENTITY TYPE	NATIONALITY	COUNTRY PROJECT	INELIGIBLE FROM	INELIGIBLE TO	GROUND
01	U&R Construcciones S.A. de C.V.	Firm	El Salvador	El Salvador	13-Dec-22	12-Dec-29	Fraud, Collusion
02	Leoncio Antonio Urbina Claros	Individual	El Salvador	El Salvador	13-Dec-22	12-Dec-29	Fraud, Collusion
03	Construcciones de Obras Civiles S.A. de C.V.	Firm	El Salvador	El Salvador	13-Dec-22	12-Dec-28	Fraud, Collusion
04	Juan Edgardo Andrade Peñate	Individual	El Salvador	El Salvador	13-Dec-22	12-Dec-28	Fraud, Collusion
05	Proyectos y Mecanizados Diversos S.A. de C.V.	Firm	El Salvador	El Salvador	28-Oct-22	27-Oct-27	Fraud, Collusion
06	Fernando Bladimir Peña Pineda	Individual	El Salvador	El Salvador	28-Oct-22	27-Oct-27	Fraud, Collusion
07	Inversiones Atlantic S.A. de C.V.	Firm	El Salvador	El Salvador	28-Oct-22	27-Oct-37	Fraud, Collusion
08	Héctor Alfonso Velasco Rivas	Individual	El Salvador	El Salvador	28-Oct-22	27-Oct-37	Fraud, Collusion
09	Nelson Alexander Núñez González	Individual	El Salvador	El Salvador	28-Oct-22	27-Oct-37	Fraud, Collusion
10	Proyectos Diversos Integrados S.A. de C.V.	Firm	El Salvador	El Salvador	28-Oct-22	27-Oct-37	Fraud, Collusion
11	Isabel Patricia Carrizo	Individual	Argentina	Argentina	18-Nov-22	17-Nov-29	Fraud, Collusion
12	Marcelo Daniel Romero	Individual	Argentina	Argentina	18-Nov-22	17-Nov-29	Fraud, Collusion
13	Ben David Etcheverry Ergueta	Individual	Bolivia	Bolivia	19-Apr-22	18-Apr-28	Corruption, Fraud
14	Eilyn Nallely Delgado Alfaro	Individual	Costa Rica	Panama	29-Jul-22	28-Jul-33	Corruption, Fraud
15	Gesaworld S.A. / Gesaworld Group S.A.	Firm	Spain	Panama	14-Nov-22	13-Nov-32	Corruption, Fraud
16	José Antonio Lázaro Romeu	Individual	Spain	Panama	14-Nov-22	13-Nov-32	Corruption, Fraud
17	Roser Vicente Ruiz	Individual	Spain	Panama	14-Nov-22	13-Nov-32	Corruption, Fraud
18	Gesaworld Panamá S.A.	Firm	Panama	Panama	14-Nov-22	13-Nov-32	Corruption, Fraud
19	Gesaworld USA Limited Liability Company	Firm	USA	Panama	14-Nov-22	13-Nov-32	Corruption, Fraud
20	Gesaworld Chile Limitada	Firm	Chile	Panama	14-Nov-22	13-Nov-32	Corruption, Fraud
21	Gesaworld México S.A. de C.V.	Firm	Mexico	Panama	14-Nov-22	13-Nov-32	Corruption, Fraud
22	Gesaworld Do Brasil Limitada	Firm	Brazil	Panama	14-Nov-22	13-Nov-32	Corruption, Fraud
23	Javier Olcina Felu	Individual	Spain	Panama	25-Mar-22	24-Mar-31	Corruption, Fraud
24	Paul Llopart Vidal	Individual	Spain	Panama	25-Mar-22	24-Mar-32	Corruption, Fraud
25	Ulife América Central S.A.	Firm	Panama	Panama	25-Mar-22	24-Mar-30	Corruption, Fraud

	NAME	ENTITY TYPE	NATIONALITY	COUNTRY PROJECT	INELIGIBLE FROM	INELIGIBLE TO	GROUND
26	Coesa Engenharia LTDA.	Firm	Brazil	Brazil	18-Mar-22	17-Mar-24	Corruption, Collusion
27	Construtora OAS Ghana Limited	Firm	Ghana	Brazil	18-Mar-22	17-Mar-25	Corruption, Collusion
28	OAS Nacala Limitada	Firm	Mozambique	Brazil	18-Mar-22	17-Mar-25	Corruption, Collusion
29	Construtora OAS Guínee S.A.	Firm	Guinea	Brazil	18-Mar-22	17-Mar-25	Corruption, Collusion
30	Construtora OAS GE S.A.	Firm	Equatorial Guinea	Brazil	18-Mar-22	17-Mar-25	Corruption, Collusion
31	Gandines Sociedad Anónima	Firm	Uruguay	Brazil	18-Mar-22	17-Mar-25	Corruption, Collusion
32	Construtora Coesa S.A. (Sucursal Honduras)	Firm	Honduras	Brazil	18-Mar-22	17-Mar-25	Corruption, Collusion
33	Coesa Engenharia LTDA (Sucursal Panamá- Coesa)	Firm	Panama	Brazil	18-Mar-22	17-Mar-25	Corruption, Collusion
34	Construtora Coesa S.A. (Sucursal Panamá)	Firm	Panama	Brazil	18-Mar-22	17-Mar-25	Corruption, Collusion
35	Construtora Coesa S.A. (Sucursal Trinidad & Tobago)	Firm	Trinidad & Tobago	Brazil	18-Mar-22	17-Mar-25	Corruption, Collusion
36	Construtora Coesa S.A. (Sucursal Uruguay)	Firm	Uruguay	Brazil	18-Mar-22	17-Mar-25	Corruption, Collusion
37	Construtora Coesa S.A. (Sucursal Perú)	Firm	Peru	Brazil	18-Mar-22	17-Mar-25	Corruption, Collusion
38	Construtora OAS LLC (Qatar)	Firm	Qatar	Brazil	18-Mar-22	17-Mar-25	Corruption, Collusion
39	Construtora Coesa S.A. (Sucursal Haiti)	Firm	Haiti	Brazil	18-Mar-22	17-Mar-25	Corruption, Collusion
40	Construtora Coesa S.A. (Sucursal Guatemala)	Firm	Guatemala	Brazil	18-Mar-22	17-Mar-25	Corruption, Collusion
41	Construtora Coesa S.A. (Sucursal Ecuador)	Firm	Ecuador	Brazil	18-Mar-22	17-Mar-25	Corruption, Collusion
42	Construtora Coesa S.A. (Sucursal Costa Rica)	Firm	Costa Rica	Brazil	18-Mar-22	17-Mar-25	Corruption, Collusion
43	Construtora Coesa S.A. (Sucursal Colombia)	Firm	Colombia	Brazil	18-Mar-22	17-Mar-25	Corruption, Collusion
44	Construtora Coesa S.A. (Sucursal Chile)	Firm	Chile	Brazil	18-Mar-22	17-Mar-25	Corruption, Collusion
45	Construtora Coesa S.A. (Sucursal Bolivia)	Firm	Bolivia	Brazil	18-Mar-22	17-Mar-25	Corruption, Collusion
46	Construtora Coesa S.A. (Sucursal Angola)	Firm	Angola	Brazil	18-Mar-22	17-Mar-25	Corruption, Collusion
47	Construtora Coesa S.A. (Sucursal Argentina)	Firm	Argentina	Brazil	18-Mar-22	17-Mar-25	Corruption, Collusion
48	OAS International Engineering GmbH	Firm	Austria	Brazil	18-Mar-22	17-Mar-25	Corruption, Collusion
49	OAS Energy GmbH (Sucursal Portugal)	Firm	Portugal	Brazil	18-Mar-22	17-Mar-25	Corruption, Collusion
50	OAS Energy GmbH	Firm	Austria	Brazil	18-Mar-22	17-Mar-25	Corruption, Collusion
51	Coesa Logística e Comercio Exterior S.A.	Firm	Brazil	Brazil	18-Mar-22	17-Mar-25	Corruption, Collusion
52	Construtora COESA S.A.	Firm	Brazil	Brazil	18-Mar-22	17-Mar-25	Corruption, Collusion
53	S.A. de Obras y Servicios Copasa Do Brasil	Firm	Brazil	Brazil	11-Aug-22	10-Feb-24	Corruption, Fraud
54	Construcap CCPS Engenharia e Comércio S.A.	Firm	Brazil	Brazil	30-Jun-22	29-Dec-23	Corruption, Fraud

## Appendix III Cooperation Agreements

### COOPERATION AGREEMENTS SIGNED TO DATE BETWEEN OII AND NATIONAL AUTHORITIES

- CADE** Administrative Council for Economic Defense | Brasília, Brazil
- OLAF** European Anti-Fraud Office | Brussels, Belgium
- CNMC** National Commission of Markets and Competition | Madrid, Spain
- COFECE** Federal Economic Competition Commission | Mexico DF, Mexico
- MPF** Brazilian Federal Prosecution Service | Brasília, Brazil
- FGE** Prosecution Office against Corruption and Organized Crime | Madrid, Spain
- FGE** National Office of the Public Prosecutor | Quito, Ecuador
- AFA** French Anti-Corruption Agency | Paris, France
- MP** Public Prosecutor's Office | Santiago, Chile
- DACG** Directorate of Criminal Affairs and Pardons | Paris, France
- CGU** Comptroller General Office | Brasília, Brazil
- USAID** Office of the Inspector General | Washington D.C., USA
- MP** Public Ministry of Costa Rica | San José, Costa Rica
- AFD** French Development Agency | Paris, France | \*New in 2022
- PIA** Public Prosecutor's Office for Administrative Investigations | Buenos Aires, Argentina | \*New in 2022

### COOPERATION AGREEMENTS SIGNED TO DATE BETWEEN OII AND INTERNATIONAL ORGANIZATIONS

- NDF** Nordic Development Fund | Helsinki, Finland
- UNDP** United Nations Development Program | New York, USA
- CDB** Caribbean Development Bank | Bridgetown, Barbados
- GF** The Global Fund to Fight Aids, Tuberculosis, and Malaria | Geneva, Switzerland
- UNOPS** United Nations Office for Project Services | Copenhagen, Denmark
- GCF** Green Climate Fund | Incheon, South Korea
- GAVI** Gavi, the Vaccine Alliance | Geneva, Switzerland
- WFP** World Food Programme | Rome, Italy | \*New in 2022

### COOPERATION ESTABLISHED THROUGH THE UNIFORM FRAMEWORK FOR PREVENTING AND COMBATING FRAUD AND CORRUPTION

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



## Appendix 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.

**Chief Compliance Officer.** The Chief Compliance Officers and other heads of integrity offices are the direct counterparts of OII's Chief in five other MDBs with which best practices and harmonization efforts are coordinated through the "Heads of Integrity" and "Heads of Integrity Due Diligence" groups.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(\*) 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.

**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.** A submission presented by OII to the Sanctions Officer requesting that a temporary suspension be imposed on a Respondent.

**Request for Reconsideration.** Respondent's submission requesting that the Sanctions Officer reconsider the imposed temporary suspension.

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

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

**Sanctions Committee.** The second and final instance of the Sanctions System's adjudication phase, consisting of four external and three internal members appointed by the president of the Bank, to carry out the functions of the committee

independently as set forth in the Sanctions Procedures and Sanctions Committee Charter.

**Sanctions Officer.** The first instance of the Sanctions System's adjudication phase, consisting of an individual appointed by the president of the Bank, who shall not be a member of the Sanctions Committee, and who serves independently, as established in the Sanctions Procedures.

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

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

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



[www.iadb.org](http://www.iadb.org)