

World Bank Sanctions System: Tackling Fraud & Corruption through a Two-Tier Administrative Process

The World Bank has agreed with other multilateral development banks (MDBs) that certain forms of misconduct should be subject to sanctions. These “Sanctionable Practices” include corrupt, fraudulent, collusive, and coercive practices. The World Bank may also sanction a firm or individual for having engaged in obstructive practices in connection with an investigation. Since 1999, more than 900ⁱ firms and individuals have been sanctioned by the World Bank. Increasingly these sanctions lead to cross-debarment by other MDBs.

The World Bank’s sanctions system is a formal administrative process that is designed to protect the funds entrusted to the World Bank, while offering the accused party due process before deciding whether the party will be sanctioned, and if so, what sanction will be imposed.ⁱⁱ

Allegations that a firm or individual has engaged in a Sanctionable Practice are investigated by the World Bank’s **Integrity Vice Presidency (INT)**. If, after completing its investigation, INT believes there is sufficient evidence to support a finding that the firm or individual has engaged in a Sanctionable Practice, INT submits a *Statement of Accusations and Evidence* (“SAE”) to the **Suspension and Debarment Officer (SDO)**ⁱⁱⁱ in the **Office of Suspension and Debarment (OSD)**.

OSD is the first tier of the World Bank’s two-tier administrative sanctions process. It is a critical component in ensuring an efficient, effective and fair sanctions process. The initial review of sanctions cases by the SDO allows for their early disposition without the necessity of full sanctions proceedings in every case.

The SDO reviews the sufficiency of the evidence presented by INT and determines if the evidence supports a finding that the alleged Sanctionable Practice has occurred. If so, the SDO issues a *Notice of Sanctions Proceedings* (“Notice”) to the firm and/or individual alleged to have engaged in the Sanctionable Practice (the “Respondent”). This *Notice* includes the allegations, evidence and a recommended sanction. The SDO may also recommend the imposition of sanctions on the Respondent’s affiliates, in which case the designated affiliates will also receive a copy of the *Notice*. Upon issuance of the *Notice*, the Respondent and the designated affiliates are temporarily suspended from eligibility to be awarded World Bank-financed contracts pending the final outcome of the proceedings. In this way, OSD functions in a manner similar to an administrative judge (under civil law, the “judge of the first instance”).

If the Respondent does not contest the allegations or the recommended sanction, the sanction recommended by OSD is imposed. To date, 66% of cases have been resolved at the OSD level.

If the Respondent chooses to contest the allegations or the recommended sanction, it files a *Response* with the **World Bank Group Sanctions Board**^{iv} – the second and final tier of the World Bank’s administrative sanctions process. The Sanctions Board is an independent body composed of seven (7) members who are all external to the World Bank Group.^v The Sanctions Board considers the case *de novo* before making a final decision. The Sanctions Board reviews all of the evidence in the case and may hold a hearing as part of its deliberations. If the Sanctions Board determines that the Respondent engaged in one or more Sanctionable Practices, it imposes an appropriate sanction on the Respondent and, if appropriate, on the Respondent’s affiliates.

There are five possible sanctions: *Debarment with Conditional Release*, *Debarment*, *Conditional Non-Debarment*, *Public Letter of Reprimand*, and *Restitution*. The default or “baseline” sanction is Debarment with Conditional Release. Any sanctions imposed by the SDO or the Sanctions Board will apply to the successors and assigns of the sanctioned parties and will trigger cross-debarment by other MDBs where applicable. The World Bank makes public the names of the sanctioned parties and the sanctions imposed.

In some circumstances, sanctions may be imposed on a Respondent through a negotiated resolution. Under this settlement mechanism, sanctions proceedings may be resolved at any point prior to the Sanction Board’s issuance of a decision, including during the investigation phase. Settlements are subject to a number of safeguards and must be cleared with the World Bank Group General Counsel.^{vi} Additionally, the SDO must review any settlement to confirm that: (1) the agreement was entered into voluntarily and without duress; and (2) the agreed sanction, if any, does not entail a manifest violation of the World Bank’s *Sanctioning Guidelines*.

In exceptional cases, the World Bank may suspend Respondents from eligibility during the investigation phase, prior to the submission of an *SAE*, through a procedure known as early temporary suspension. If, before INT concludes an investigation, INT believes there is sufficient evidence to support a finding of at least one Sanctionable Practice against a Respondent, and that it is likely that the investigation will be successfully concluded and an *SAE* will be presented to the SDO within a maximum period of one year, INT may present to the SDO a *Request for Temporary Suspension*. If the SDO determines that the evidence is sufficient to support a finding that the Respondent has engaged in at least one sanctionable practice, the SDO may issue a *Notice of Temporary Suspension* and impose a temporary suspension on the Respondent for an initial period of six months, subject to a one-time extension of up to six months.

Sanctions are published on the World Bank website: <http://worldbank.org/sanctions>.

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and boosting shared prosperity.**

ⁱ This figure does not take into account sanctions imposed by other MDBs that are enforced by the World Bank through the Agreement for Mutual Enforcement of Debarment Decisions (*i.e.*, the cross-debarment agreement among MDBs).

ⁱⁱ The rules governing the World Bank sanctions system are set forth in the World Bank’s policies and procedures, including the *Bank Procedure: Sanctions Proceedings and Settlements in Bank Financed Projects*. The sanctions system also includes parallel procedures for cases relating to International Finance Corporation (“IFC”), Multilateral Investment Guarantee Agency (“MIGA”) and IBRD/IDA guarantees and carbon finance operations, with adjustments appropriate to those institutions’ business models.

ⁱⁱⁱ If a case relates to the operations of IFC, MIGA or IBRD/IDA guarantees and carbon finance, the *SAE* is submitted instead to the Evaluation and Suspension Officer (EO) for such institution, who performs a function parallel to that of the SDO.

^{iv} The role, composition, competence and responsibilities of the Sanctions Board are set out in the *WBG Policy: Statute of the Sanctions Board*.

^v Three (3) members of the Sanctions Board are appointed by the World Bank Group’s Executive Directors from a list of candidates drawn up by the President after appropriate consultation. The candidates must not currently hold any appointment to the staff of the Bank, IFC or MIGA and must be familiar with procurement matters, law, dispute resolution mechanisms, or operations of development institutions. One (1) member and one (1) alternate member are appointed for each of IFC and MIGA by the Executive Directors from a list of candidates drawn up by the President after appropriate consultation. The candidates must not currently hold any appointment to the staff of the Bank, IFC or MIGA and must be familiar with private sector cross-border lending and equity investments (for IFC Projects) or non-commercial guarantee operations (for MIGA Projects).

^{vi} In cases involving IFC or MIGA, the General Counsel of the relevant institution clears the agreements.