

The World Bank Group Sanctions System

Addressing
Fraud and
Corruption
Through a
Two-Tiered
Administrative
Process



Development and Expansion of the WBG Sanctions System (1996 – 2016)

1996

WBG President James D. Wolfensohn calls on the institution to “deal with the cancer of corruption” in its development efforts.

1998

The World Bank Sanctions Committee is established to review sanctions cases against firms and individuals suspected of engaging in misconduct and recommend sanctions (debarment or letter of reprimand) to the WBG President.

2002

Richard Thornburgh, former U.N. Undersecretary General and U.S. Attorney General, prepares a report evaluating the World Bank’s existing debarment process and recommending a two-tiered process.

2004

Board of Executive Directors approves a sanctions reform package, establishing the first-tier Evaluation and Suspension Officer (now SDO) and reorganizing the Sanctions Committee into the WBG Sanctions Board; sanctions coverage extended to IFC, MIGA, and World Bank guarantee operations.

2007

Appointment of first SDO/EOs; two-tier sanctions system begins operations.

2009

Introduction of “Early Temporary Suspension” to the sanctions process; appointment of external WBG Sanctions Board Chair.

2010

Introduction of Negotiated Resolution Agreements (settlements) in sanctions cases; WBG enters into Agreement on Mutual Enforcement of Debarment Decisions with the relevant MDBs; WBG Integrity Compliance Office established within INT.

2011

Publication of the WBG Sanctioning Guidelines.

2012

WBG Sanctions Board begins publishing the full text of its decisions.

2016

Transition to an all-external WBG Sanctions Board membership.

What is the World Bank Group Sanctions System?

The World Bank Group (WBG) sanctions system is a formal two-tiered administrative process designed to protect the integrity of WBG operations and ensure that development financing is used only for its intended purposes. At the first tier, cases are typically filed with the **World Bank's Suspension and Debarment Officer (SDO)**, who reviews accusations brought by the **WBG Integrity Vice Presidency (INT)** that a firm or individual has engaged in sanctionable misconduct and determines whether the evidence is sufficient to initiate sanctions proceedings. Cases relating to the operations of IFC, MIGA, and World Bank guarantees and carbon finance are reviewed by

a distinct **Evaluation and Suspension Officer (EO)** for each institution. If sanctions proceedings are initiated, the accused party is temporarily suspended from eligibility to be awarded WBG-financed contracts and may appeal to the system's second tier, the **WBG Sanctions Board**, to receive a *de novo* review of the accusations and/or recommended sanction and a full hearing, if requested by the parties or called by the Sanctions Board Chair. The two-tier system is designed to ensure due process to parties accused of misconduct before rendering any decision.

What are "Sanctions"?

Sanctions are intended to both prevent future misconduct and encourage rehabilitation of the sanctioned parties. There are five types of sanctions: **fixed-term debarment**, **debarment with conditional release**, **conditional non-debarment**, **letter of reprimand**, and **restitution**. The most common sanction is debarment with conditional release, which excludes the sanctioned party from access to WBG financing for a minimum period of time, and the sanctioned party is released only after satisfying certain conditions, like implementing a compliance program. Debarments exceeding one year extend across several other multilateral development banks (MDBs), namely ADB, AfDB Group, EBRD, and IDB Group, pursuant to a cross-debarment agreement. The names of sanctioned parties and the corresponding sanctions are public (www.worldbank.org/debarr).

What is "Sanctionable Misconduct"?

FRAUD

CORRUPTION

COERCION

COLLUSION

OBSTRUCTION

1ST TIER

SUSPENSION & DEBARMENT OFFICER (SDO) / EVALUATION & SUSPENSION OFFICERS (EOs)

The **Suspension and Debarment Officer (SDO)**, housed within the World Bank Office of Suspension and Debarment, functions like an administrative judge and is a critical component of an efficient, effective, and fair sanctions process. The SDO's review allows for cases to be addressed efficiently and fairly, thereby ensuring the protection of development funds while giving accused parties an opportunity to respond to the accusations and/or appeal to the WBG Sanctions Board.

The Suspension and Debarment Officer:

- ▶ Evaluates the **sufficiency of the evidence** presented by INT in a detailed, written determination.
- ▶ Determines if the evidence supports a finding that **the alleged sanctionable misconduct more likely than not occurred**, and if so, **recommends an appropriate sanction** against the respondent(s).
- ▶ Issues a **Notice of Sanctions Proceedings** to each respondent, which includes the allegations, corresponding evidence, and the recommended sanction.
- ▶ **Temporarily suspends** the respondent(s) from eligibility to be awarded World Bank-financed contracts pending the final outcome of the proceedings.
- ▶ Reviews **written Explanations** submitted by the respondent(s) in response to the **Notice of Sanctions Proceedings**.
- ▶ Imposes the recommended sanction on each respondent who does not appeal to the Sanctions Board and publishes a **Notice of Uncontested Sanctions Proceedings** on the World Bank's public website.
- ▶ Reviews **settlement agreements** entered into between the World Bank (through INT) and the respondent(s) to ensure that their terms do not manifestly violate the WBG Sanctioning Guidelines.

The sanctions system also includes parallel procedures for cases related to the International Finance Corporation (IFC), the Multilateral Investment Guarantee Agency (MIGA), and World Bank guarantees and carbon finance operations. In such cases, INT submits the case to the **Evaluation and Suspension Officer (EO)** for such institution, who performs a function parallel to that of the World Bank's SDO.

2nd TIER

SANCTIONS BOARD

The **WBG Sanctions Board** is an independent administrative tribunal that serves as the final decision-maker in all contested sanctions cases across the WBG. The Sanctions Board consists of seven (7) members who are top jurists and development experts, all external to the WBG. The Sanctions Board is supported by a Secretariat managed by the Executive Secretary to the Sanctions Board.

The Sanctions Board:

- ▶ Provides a full, fair, and final review of **all sanctions cases contested from the first tier *de novo***, considering additional evidence and arguments presented by the parties.
- ▶ Resolves **all evidentiary and procedural disputes**, ensuring that procedural rights set out in the Sanctions Procedures are given full effect.
- ▶ Holds **oral hearings** as requested by the parties, or called by the Sanctions Board Chair.
- ▶ Publishes **fully reasoned decisions**, which are **final and not appealable**, on liability and sanctions with detailed factual and legal analyses, procedural and substantive findings, and citation to relevant precedents.
- ▶ Reviews **requests for reconsideration** that may be granted in narrowly defined and exceptional circumstances considering fundamental principles of fairness.
- ▶ Publishes **periodic law digest** that distills legal principles from its original body of substantive case law.
- ▶ Reviews appeals of the Integrity Compliance Officer's determination on non-compliance.
- ▶ Reviews appeals by successors and assignees of the respondent(s).
- ▶ Reviews appeals arising from compliance with settlement agreements.

The World Bank Group Sanctions System

Compliance

Integrity Compliance Officer
(within INT)

Adjudicative

Sanctions Board

Suspension & Debarment Officer /
Evaluation & Suspension Officers

Investigative

Integrity Vice Presidency

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Public Debarment List:
www.worldbank.org/debarr

Report Suspected Fraud or Corruption

Report allegations of fraud and corruption involving World Bank Group-financed operations via the Integrity Complaint Form available at www.worldbank.org/integrity.