



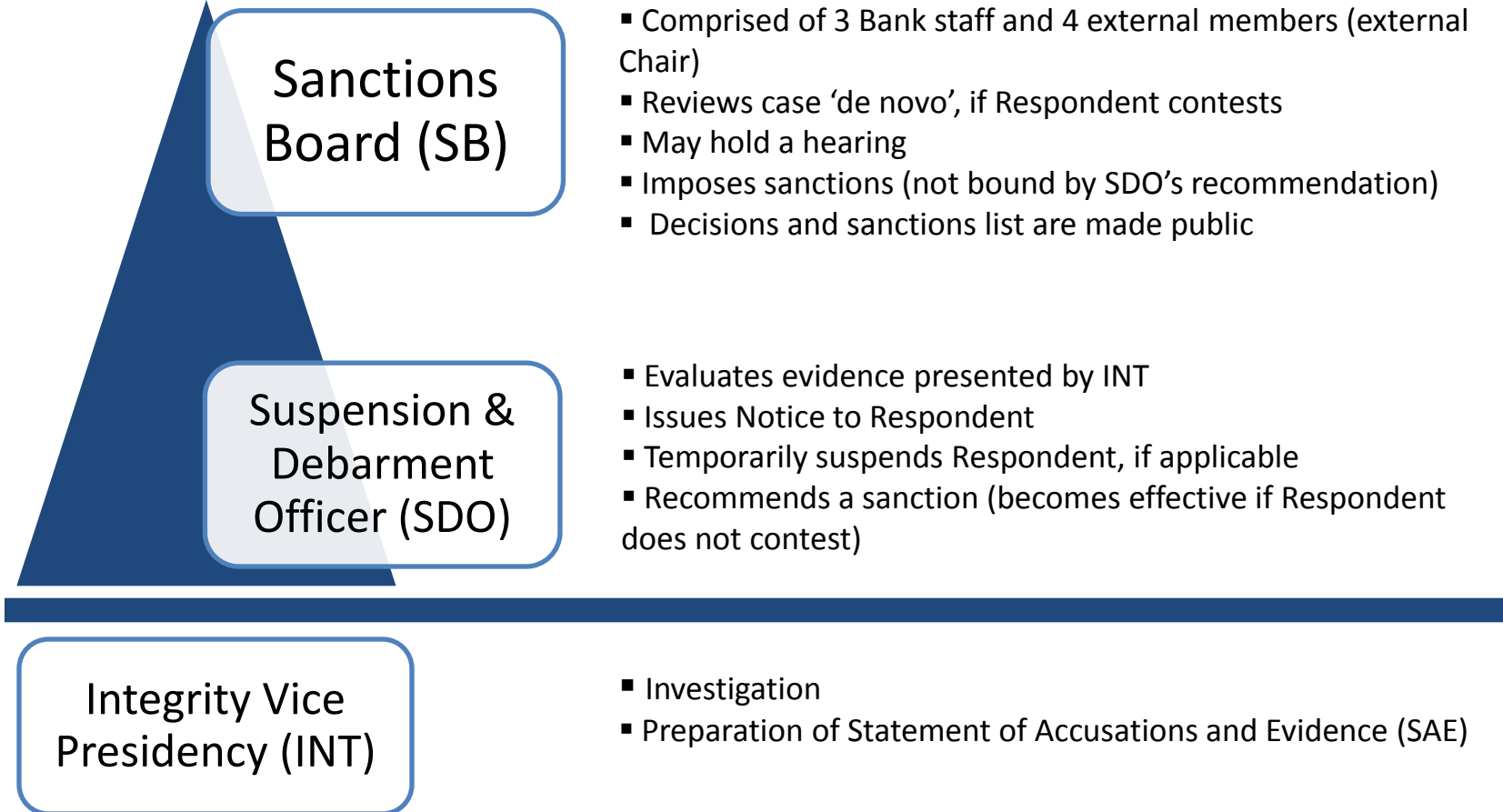
Review of the World Bank Group Sanctions System

Multi-Stakeholder Consultation
July-September 2013

The Sanctions System

- Promoting good governance and tackling fraud and corruption are critical to achieving sustainable development and poverty reduction.
- One way that the Bank combats fraud and corruption is through the use of administrative sanctions against firms and individuals that have engaged in corrupt activities in Bank-financed projects.
- An administrative process; intended to provide accused parties an appropriate level of due process before a decision on sanctions is made.

Two-tiered System



Sanctions Board (SB)

- Comprised of 3 Bank staff and 4 external members (external Chair)
- Reviews case 'de novo', if Respondent contests
- May hold a hearing
- Imposes sanctions (not bound by SDO's recommendation)
- Decisions and sanctions list are made public

Suspension & Debarment Officer (SDO)

- Evaluates evidence presented by INT
- Issues Notice to Respondent
- Temporarily suspends Respondent, if applicable
- Recommends a sanction (becomes effective if Respondent does not contest)

Integrity Vice Presidency (INT)

- Investigation
- Preparation of Statement of Accusations and Evidence (SAE)

Timeline of Reforms – At a Glance

2004	Current ‘two-tiered’ system formally adopted; expanded range of sanctions
2006	Expansion of system beyond procurement; private sector joins; expanded grounds for sanction
2007	Implementation of the ‘two-tiered’ system begins
2009	Move to an External Chair of Sanctions Board
2009-2010	Early Temporary Suspension; settlements; public decisions
2010	Multilateral Development Banks Cross-Debarment
2012	First Sanctions Board decisions are publicly published

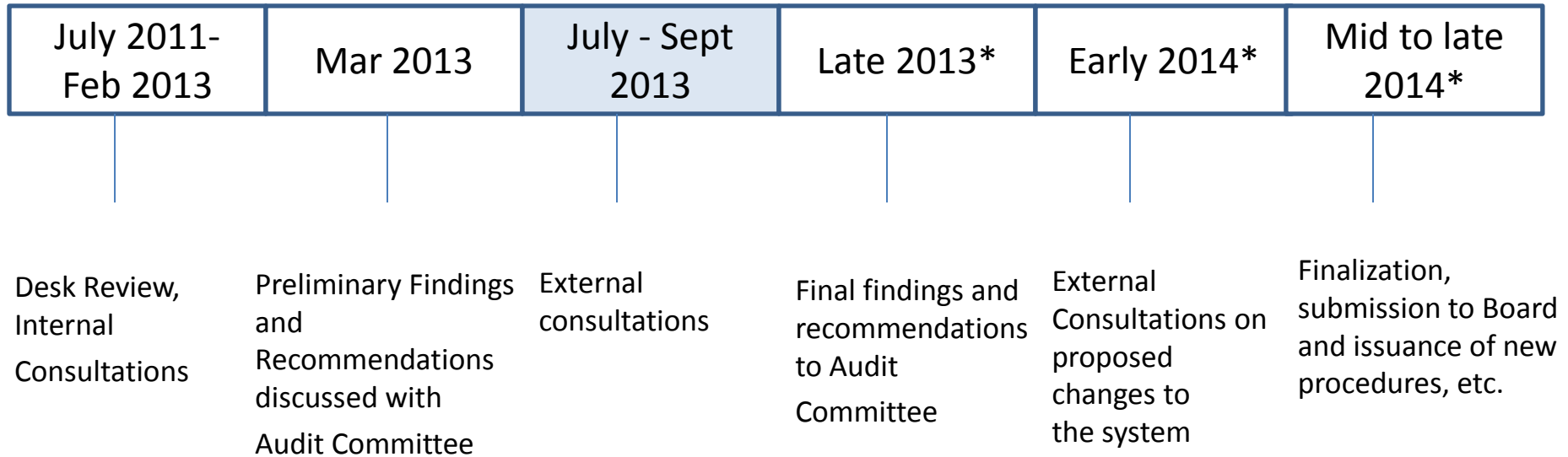
Current Review of the System

Phase I:

- ‘Snapshot’ of the two-tiered system and assessment of the track-record for implementation of reforms to date.
- Assessment of the impact of the system on Bank operations.
- Assessment of the fairness and transparency of the system.

Phase II will look at the ‘big questions’ of overall efficiency and effectiveness; timeline TBD.

Phase I Timeline



* *Tentative Dates*

Consultation with External Stakeholders

-> Broad objectives:

- *To receive input on what works and what does not work well from the perspective of various external stakeholders.*
- *To seek recommendations on how to reform the existing processes to better serve the objectives of the system.*

-> Stakeholders can share their views online through a dedicated website: <http://www.worldbank.org/legal/sanctionsreview>. There will also be a number of face-to-face meetings.

-> Input received will be summarized and posted online.

-> Input will be taken into consideration to finalize the findings and recommendations for submission to the Bank's Audit Committee, tentatively, in late 2013.

Key Findings & Preliminary Recommendations

Sanctions Process

- Two-tiered system is operating as intended: after a slow start, performance (in terms of time-frames and outputs) is increasingly positive, in particular since early 2010.
- BUT: significant variations in processing times; system can be efficient but has also sometimes involved considerable 'churning'.

-> Preliminary Recommendations

- Continue efforts to reduce investigation times, where appropriate.
- Study of quality controls and adoption of performance standards.
- Possible use of panels by the Sanctions Board instead of plenary sessions for cases that do not pose novel issues.
- Accelerate rollout of an automated case management system.

Key Findings & Preliminary Recommendations (cont'd.)

Beyond Procurement

- Historical lack of cases outside of IBRD/IDA procurement.
-> **Preliminary Recommendation:** Explore ways to more proactively combat fraud/corruption that occurs beyond traditional procurement-based cases.

Baseline Sanction

- Almost exclusive imposition of the 'baseline'/default sanction, *debarment with conditional release*.
-> **Preliminary Recommendation:** Revisit this designation of the 'baseline' sanction.

Early Temporary Suspension (ETS)

- Used infrequently, leaving 'grey area' for operations and fiduciary risk for the Bank.
-> **Preliminary Recommendation:** Study ways to mainstream use of ETS.

Key Findings & Preliminary Recommendations (cont'd.)

Corporate Groups

-> **Preliminary Recommendation:** Consider revision of the applicable guidance in the Sanctions Manual to provide greater clarity for Bank staff.

Settlements

- Serving intended purposes: efficiency and greater certainty of outcome for the parties. But some find that it lacks transparency.

-> **Preliminary Recommendation:** Reinforce the procedural safeguards for settlements and enhance their transparency.

Key Findings & Preliminary Recommendations (cont'd.)

Fairness & Transparency

- System appears to meet, and in some cases exceed, fundamental principles of due process and the emerging doctrine of Global Administrative Law (GAL).
- Fairness and transparency of the system has been considerably enhanced over the years.

-> Preliminary Recommendations

- Re-sequence first tier of proceeding to allow Respondent to be heard before the SDO's determination.
- Transition to an all external Sanctions Board.
- Increase transparency: publish SDO determinations; make public Sanctions Manual and Advisory Opinions.

Key Findings & Preliminary Recommendations (cont'd.)

'Right-Sizing'

- Relatively minor instances of misconduct may not justify the full panoply of procedural protections afforded by the current system.
-> **Preliminary Recommendation:** Need to 'right size' the response to fraud and corruption (e.g. full sanctions proceedings vs. streamlined proceedings); possibly expanding the 'toolkit'.

Small and Medium Sized Enterprises (SMEs)

- Pattern of non-engagement by SMEs.
-> **Preliminary Recommendation:** Study ways to make the system more accessible for SMEs.

Guiding Questions for Feedback

- **Track Record:** What is working and what needs to be improved? Beyond the review team's preliminary main findings, are there other aspects of the system that may need to be addressed?
- **Preliminary Recommendations:** What are your thoughts on possible ways to improve the system, including and beyond those identified by the review team?

Connect

For updates on the Consultation Process, please visit:

<http://www.worldbank.org/legal/sanctionsreview>

-> **Submit feedback:**

Via online survey:

<https://www.surveymonkey.com/s/wbgsanctionsreview>

Or by email:

sanctionsreview@worldbank.org

