

SANCTIONS PROCEDURES  
FOR BANK GUARANTEE PROJECTS

**I. INTRODUCTION**

In addition to, but separate from, the World Bank's<sup>1</sup> "Sanctions Procedures" applicable to Bank-financed or Bank-executed projects (referred to collectively as "Bank Projects"), the Bank is issuing the procedures set forth in this document (these "Procedures") to inform Bank staff, parties accused of wrongdoing, and other interested parties, of the procedures currently to be followed in sanctioning corrupt, fraudulent, collusive, coercive or obstructive practices, whether in connection with investment projects guaranteed by the Bank ("Bank Guarantee Projects" or "Projects")<sup>2</sup> or the violation of a Material Term of the Terms & Conditions of the World Bank

have the following meanings:<sup>5</sup>

- (1) "Bank Guarantee Projects Evaluation Officer" or the "PRG Evaluation Officer" means the individual Bank staff member appointed by the President of the Bank as the Evaluation and Suspension Officer (in accordance with the Terms of Reference for the Bank Guarantee Projects

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<sup>1</sup> The World Bank (sometimes hereafter referred to as the "Bank") for purposes of the procedures set forth in this document, includes the International Bank for Reconstruction and Development and the International Development Association. The Executive Directors of the Bank approved on July 9, 2004 and August 1, 2006 certain recommendations pertaining to the reform of the Bank's sanctions process. The sanctions process consists of a two-tier process conducted by an Evaluation and Suspension Officer and the

Evaluation and Suspension Officer) to review proposed Notices of Sanctions Proceedings and determine whether sanctions proceedings are appropriate. The PRG Evaluation Officer

contractual rights of access to information in connection with a World Bank Group investigation into allegations of a corrupt, fraudulent, coercive or collusive practice.

- (9) “PRG Counterparty” means, in relation to a Bank Guarantee Project, any individual or entity which is (i) a beneficiary of a Bank Guarantee, (ii) a project company implementing a Bank Guarantee Project or (iii) a project sponsor (who enters into a project agreement or similar agreement with the Bank in connection with a Bank Guarantee Project).
- (10) “Respondent” means any PRG Counterparty

### **Section 3.**

INT, shall determine whether sanctions proceedings are appropriate. The review shall take into account whether there is sufficient evidence to support a finding that the Respondent has engaged in the alleged Sanctionable Practice and any other consideration relevant to the proceedings. The PRG Evaluation Officer may, in its discretion, consult with the Respondent as needed to make such determination. If the proposed Notice pertains to an alleged Sanctionable Practice that took place more than ten (10) years prior to the date on which the Notice would be issued by the PRG Evaluation Officer, the PRG Evaluation Officer shall close the matter and shall notify the Director of INT accordingly.<sup>10</sup>

(2) ***Referral Back to INT:*** If the PRG Evaluation Officer determines that the sanctions proceedings are not appropriate, the PRG Evaluation Officer shall not issue the Notice and shall notify the Director of INT of the decision and the basis therefor. The Director of INT may resubmit a proposed Notice to the PRG Evaluation Officer after making appropriate amendments, in which case the procedures set out in Section 5(1) shall apply to the resubmitted proposed Notice.

(3) ***Issuance of Notice:*** If the PRG Evaluation Officer determines that there is sufficient justification to issue a Notice to the Respondent, the PRG Evaluation Officer shall issue the Notice to the Respondent and shall notify the Chair of the Sanctions Board (the “Sanctions Board Chair”) and the Director of INT.

(4) ***Recommendation of Appropriate Sanction:*** The PRG Evaluation Officer shall include in the Notice a recommendation of the appropriate sanction to be imposed on each Respondent, which shall be selected from the range of possible sanctions identified in Section 15(3) of these Procedures<sup>11</sup> and after due consideration, to the extent applicable, of the factors in Section 15(5).

(5) ***Respondent’s Explanation in Opposition to Temporary Suspension:*** Within forty-five (45) days after the date of issuance of the Notice, the Respondent may explain in writing to the PRG Evaluation Officer why it believes that, notwithstanding the evidence set forth in the Notice, the Respondent should remain eligible for additional World Bank Group financing and contracts or otherwise participate in new activities in World Bank Group projects,<sup>12</sup> pending a

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<sup>10</sup> For cases arising out of Bank Guarantee Projects, the date of a Sanctionable Practice shall be deemed to be the date on which the last constituent act or element of the Sanctionable Practice occurred. For cases involving an alleged violation of a Material Term of the VDP Terms & Conditions, the PRG Evaluation Officer shall close the matter and shall notify the Director of INT accordingly if the proposed Notice pertains to VDP Terms & Conditions which terminated more than ten (10) years prior to the date on which the Notice would be issued.

<sup>11</sup> For cases involving the alleged violation of a Material Term of the VDP Terms & Conditions, the PRG Evaluation Officer shall note the mandatory sanction of a ten (10)-year debarment.

<sup>12</sup> For purposes of these Sanctions Procedures, “new activities” means, in connection with IFC, MIGA or Bank Guarantee Projects, the activities

final outcome of the sanctions proceedings before the Sanctions Board (an “Explanation”).<sup>13</sup>

(6) ***Temporary Suspension:*** Except for cases involving alleged violation of a Material Term of the VDP Terms & Conditions and unless the PRG Evaluation Officer determines, upon consideration of an Explanation submitted by the Respondent pursuant to Section 5(5), that temporary



case pursuant to Articles VII or VIII of the Sanctions Board Statute may, as a matter of discretion, authorize such additional evidence to be submitted, together with a brief argument predicated upon such evidence. The Sanctions Board Chair or the Panel Chair may also authorize either INT or the Respondent to submit, within a reasonable timeframe, additional arguments and evidence in response to the evidence and arguments contained in the additional materials presented by the other party.

(5) ***Language:*** All written materials submitted to the Sanctions Board shall be submitted through the Secretary, in English, except that exhibits shall be in the



(2) ***Distribution of Materials to Other Respondents in Sanctions***

***Proceedings:*** With respect to materials submitted to the Sanctions Board in a sanctions proceeding, the Secretary may at any time, upon approval of the Sanctions Board or the Sanctions Board Panel, make such materials available to other Respondents in sanctions proceedings involving related allegations, facts, or matters. In determining whether to approve the disclosure of such materials, the Sanctions Board Panel shall consider, among other factors, the standard for withholding sensitive materials set forth in Section 8(3).

(3) ***Distribution of Sensitive Materials:*** Although all evidence presented to the Sanctions Board by INT, including all relevant evidence in INT's possession or known to INT that would reasonably tend to exculpate the Respondent or mitigate the Respondent's culpability, shall ordinarily be provided by the Sanctions Board to the Respondent, the Sanctions Board or the Sanctions Board Panel may, in its discretion and upon request by INT, withhold particular evidence upon a determination that there is a reasonable basis to conclude that revealing the particular evidence might endanger the life, health, safety, or well-being of a person or constitute a violation of any undertaking by the Bank in favor of a participant in the VDP.

**Section 9. Contents of Record**

The record to be considered by the Sanctions Board shall consist of the Notice, the Response, the Reply, all other related written submissions of arguments and evidence, and all arguments presented at any hearing before the Sanctions Board, including any Explanation submitted pursuant to Section 5(5). The record shall be confidential and will not be available to the public.

**V. HEARINGS**

**Section 10. Applications**

Should the Respondent or INT desire that the Sanctions Board hold a hearing on the allegations against the Respondent, such request shall be made in the Respondent's Response or in INT's Reply. If a request for a hearing is made, the Secretary, after consulting with the Sanctions Board Chair, shall provide the Respondent and the Director of INT reasonable notice of the date, time and location of the hearing. If no such request is made, the Sanctions Board shall review the case and render its decision on the basis of the existing record, as defined in Section 9, without a hearing.

**Section 11. Representation at Hearings**

(1) ***INT:*** INT shall be represented before the Sanctions Board by a representative who may or may not be an employee of the World Bank Group.

(2) ***The Respondent:*** A Respondent may be self-represented or represented by an attorney or any other individual authorized by the Respondent, at the Respondent's own expense.

## **Section 12. Conduct of Hearings**

(1) ***Attendance:*** The representatives of INT and the Respondent and the Respondent's representatives may be present throughout the hearing. The hearing including the submissions shall remain confidential and not open to the public. Neither the representatives of INT nor the Respondent nor the Respondent's representatives shall be present for or participate in the deliberations of the Sanctions Board or the Sanctions Board Panel.

(2) ***Presentations:***

(a) **Order:** INT shall present its case first. The Respondent or the Respondent's representative shall present the Respondent's case second. INT shall be permitted to reply.

(b) **Length:** The Sanctions Board or the Panel Chair shall set a reasonable period of time for each presentation.

(c) **Form:** Presentations shall be informal. They shall be limited to arguments and evidence contained in the written submissions, and may rely upon or refute individual items of evidence.

(d) **Live Testimony:** No live witness testimony shall be taken, except that one or more witnesses may be called and questioned only by the members of the Sanctions Board or the Sanctions Board Panel. A Respondent who appears in

## **VI. EVIDENCE**

### **Section 13. Forms of Evidence**

Any kind of evidence may form the basis of arguments presented in a sanctions proceeding and conclusions reached by the Sanctions Board or the Sanctions Board Panel. The Sanctions Board or the Sanctions Board Panel shall have discretion to determine the relevance, materiality, weight, and sufficiency of all evidence offered. Hearsay evidence or documentary evidence shall be given the weight deemed appropriate. Without limiting the generality of the foregoing, the Sanctions Board or the Sanctions Board Panel shall have the discretion to infer purpose, intent and/or knowledge on the part of the Respondent, or any other party, from circumstantial evidence before it. Formal rules of evidence shall not apply.

### **Section 14. Privileged Materials**

Communication between an attorney, or a person acting at the direction of an attorney, and a client for the purpose of providing or receiving legal advice (“attorney-client communications”), and writings reflecting the mental impressions, opinions, conclusions or legal theories of an attorney in connection with a legal representation (“attorney work product”) shall be privileged and exempt from disclosure.

that it is more likely than not that Respondent's conduct did not amount to a Sanctionable Practice.

(c) **Insufficient Evidence:** If the Sanctions Board or the Sanctions Board Panel determines that it is more likely than not that the Respondent did not engage in a Sanctionable Practice, the Sanctions Board or the Sanctions Board Panel shall notify INT and the Respondent in writing, and the proceedings shall be terminated. The Notice may be resubmitted if evidence not available at the time of filing of the Notice is subsequently obtained.

(d) **Sanctions Board's Decision:** If the Sanctions Board or the Sanctions Board Panel determines that it is more likely than not that the Respondent did engage in a Sanctionable Practice, it shall impose an appropriate sanction on the Respondent, which sanction shall be selected from the range of possible sanctions identified in Section 15(3). In determining the appropriate sanction, the Sanctions Board or the Sanctions Board Panel shall not be bound by the recommendation of the PRG Evaluation Officer.

(3) ***Range of Possible Sanctions:***

(a) **Reprimand:** The Sanctions Board may decide that the Respondent be reprimanded in the form of a formal "Letter of Reprimand" of the Respondent's conduct.

(b) **Debarment:** The Sanctions Board or the Sanctions Board Panel may decide that the Respondent be declared ineligible, either indefinitely or for a stated period of time, to be a PRG Counterparty ("debarment"). For cases involving the violation of a Material Term of the VDP Terms & Conditions, the Sanctions Board or the Sanctions Board Panel shall declare the Respondent ineligible for a period of 10 years to be a PRG Counterparty. This ineligibility resulting from debarment shall extend to new activities under Bank Projects, acting as an IFC Counterparty, and acting as a MIGA Counterparty (as "new activities under Bank Projects", "IFC Counterparty" and "MIGA Counterparty" are defined in the Bank's, IFC's and MIGA's respective Sanctions Procedures). Debarment arising out of other World Bank Group projects (other than Bank Guarantee Projects) shall also render the Respondent ineligible to be a PRG Counterparty in a new Bank Guarantee Project.

(c) **Conditional Non-Debarment:** The Sanctions Board or the Sanctions Board Panel may decide that the Respondent be required to comply with certain remedial, preventative or other measures as a condition to avoid debarment from World Bank Group projects. In the event the Respondent fails to demonstrate its compliance with the conditions within the time periods established, a debarment would automatically become effective for a period of time established by the Sanctions Board or the Sanctions Board Panel.



(e) breach or attempted breach of the Respondent's undertaking pursuant to Section 5(6) to voluntarily refrain from seeking or obtaining World Bank Group financing, from being awarded contracts for World Bank Group projects, or from otherwise participating in new activities in a World Bank Group project pending a final outcome of the sanctions proceedings;

(f) mitigating circumstances, including the extent to which the Respondent cooperated in the investigation and whether such cooperation is of substantial benefit to the World Bank Group;

(g) savings of World Bank Group resources or facilitation of an investigation that was occasioned by the Respondent's admission of culpability or cooperation in the investigation or sanctions process;

(h) period of temporary suspension already served by the Respondent; and

(i) any other factor that the Sanctions Board or the Sanctions Board Panel deems relevant.

#### **Section 16. Entry Into Force of Final Decision**

(1) ***Final Nature of Decision:*** The decision of the Sanctions Board or the Sanctions Board Panel shall be final and shall take effect immediately, without prejudice to any action taken by any government under its applicable law.

(2) ***Dissemination of Decision:*** The decision of the Sanctions Board or the Sanctions Board Panel shall be transmitted by the Sanctions Board Secretary to the Respondent and INT, the Executive Directors representing the member country concerned and the country of the Respondent, and [management of] the Bank, IFC and MIGA.

### **VIII. DISCLOSURE**

#### **Section 17. Disclosure of a Sanction to the Public**

If a sanction is imposed on a Respondent, or on another individual or organization as provided in Section 15(4), information 1 126.02 3625 TmBT20(r 0 1 90T EMo.o.TJEtID 10B( )

(1) ***Information Pertaining to Illegal Activities:*** If the Bank determines that the law of a member country may have been violated by a Respondent, the Bank may at any time make available to its government counterpart information relating to such potential violation. In determining whether to disclose such information, the Bank shall consider, among other factors, the standard for withholding sensitive information set forth in Section 8(3).

(2) ***Information Pertaining to a Project Financed by or with Another Organization or Agency:***

If the Bank determines that there is information relating to a Sanctionable Practice in connection with a Bank Guarantee Project that is financed, guaranteed or otherwise undertaken together with another international or multinational organization, including another development bank, or by an agency of a member government that promotes international development, the Bank may at any time make such information available to such organization or agency. In determining whether to disclose such information, the Bank shall consider, among other factors, the standards for withholding sensitive information set forth in Section 8(3).

(3) ***Sharing of Materials Submitted to the Sanctions Board With Other Organizations or Agencies:*** The Bank may at any time make available materials submitted to the Sanctions Board to another international or multinational organization, including another development bank, or to an agency of a member government that promotes international development, where the Bank and such organization or agency have agreed that the organization or agency shall make similar information available from its own files to the Bank. In determining whether to approve the disclosure of such materials, the Bank shall consider, among other factors, the standard for withholding sensitive materials set forth in Section 8(3).

(4) ***No Prejudice to Administration or Operations:*** Nothing in this Section 18 or elsewhere in the Sanctions Procedures limits, prejudices or qualifies any rights or pr

## **IX. ADDITIONAL PROVISIONS**

### **Section 19. Effective Date**

These Procedures shall become effective on \_\_\_\_\_, 2006 and shall apply to all Bank Guarantee Projects for which a Project Concept Note is issued on or after that date.