

Client Alert

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World Bank Suspension and Debarment Report

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On June 26, 2014, the World Bank's Office of Suspension and Debarment (OSD) released its public report covering sanctions arising from World Bank-financed projects during OSD's first six years of operation. The report includes case processing and other performance statistics related to 224 sanctioned firms and individuals in Bank-financed projects, and highlights the World Bank's efforts to improve transparency and accountability, while maintaining confidentiality and providing due process for those accused of fraud and corruption.

The OSD, or the "sanctions regime," as it is often called, represents the first level of adjudication within the World Bank. The OSD is intended to exclude proven wrongdoers from World Bank-financed operations, while simultaneously ensuring that accused parties are treated fairly and given a chance to mount a defense. Sixty percent of cases at the World Bank were resolved at the OSD level, with the remaining forty percent leading to at least one appeal at the Sanctions Board level.

According to the report, debarment is the most frequently imposed sanction, meaning that the debarred firm or individual is declared ineligible to receive World Bank-financed contracts from shareholder governments. In the majority of cases, the firm or individual was also subject to cross-debarment by other Multilateral Development Banks.¹ And because notice of debarments and other sanctions are posted on the World Bank's public website, they are observable by national and local governments and other public and private sector organizations conducting due diligence prior to procurement or other business decisions.

Also according to the report, between 2007 and 2013, the World Bank's OSD fully debarred or otherwise sanctioned 224 firms and individuals. Of these, 39 were pursuant to settlement agreements and 185 were based on sanctions proceedings. Of the 172 sanctions submitted to OSD by the World Bank Group's Integrity Vice Presidency (INT), the independent arm of the Bank responsible for investigating allegations of fraud and corruption in Bank-financed projects, 18 were withdrawn by INT or closed by OSD.

The World Bank's just-released OSD Report [is here](#).

The role played by the World Bank in anti-corruption and fraud enforcement, both by itself and as an organization that refers matters to national enforcement authorities, has significantly increased in the past decade. The World Bank has resolved matters involving Siemens and Alstom, and besides debarring SNC-Lavalin, it began the investigation of the company that has now led to a series of cases being brought by Canadian authorities.² As a

¹ On April 9, 2010, the African Development Bank Group, the Asian Development Bank, the European Bank for Reconstruction and Development, the Inter-American Development Bank Group, and the World Bank Group entered into an agreement under which entities debarred by one MDB will be sanctioned for the same misconduct by other signatories, that is, the principal of "debarred by one, debarred by all." See *Agreement for Mutual Enforcement of Debarment Decisions* (Apr. 9, 2010), available at <http://www.ebrd.com/downloads/integrity/Debar.pdf>.

² See, e.g., CNCNews, *2 former SNC-Lavalin execs face criminal charges* (Feb. 2, 2014) (engineering company executives charges with

Client Alert

result of this more active role and the potentially severe consequences of cross-debarment, companies involved in World Bank-financed projects, or with any MDB for that matter, should pay close attention to this developing area of law. Morrison & Foerster attorneys have represented parties and individuals in World Bank suspension and debarment matters and are available to answer any questions regarding the process or this report.

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money laundering and foreign bribery, among other crimes), available at <http://www.cbc.ca/news/canada/montreal/2-former-snc-lavalin-execs-face-criminal-charges-1.2520367>; World Bank Group, Press Release: *World Bank Debars SNC-Lavalin Inc. and its Affiliates for 10 years* (Apr. 17, 2013), available at <http://www.worldbank.org/en/news/press-release/2013/04/17/world-bank-debars-snc-lavalin-inc-and-its-affiliates-for-ten-years>; World Bank Group, Press Release: *Enforcing Accountability: World Bank Debars Alstom Hydro France, Alstom Network Schweiz AG, and their Affiliates* (Feb. 12, 2012), available at <http://web.worldbank.org/WBSITE/EXTERNAL/NEWS/0,,contentMDK:23123315~menuPK:51062075~pagePK:34370~piPK:34424~theSitePK:4607.00.html>; World Bank Group, Press Release: *Siemens to pay \$100m to fight corruption as part of World Bank Group settlement* (July 2, 2009), available at <http://web.worldbank.org/WBSITE/EXTERNAL/NEWS/0,,contentMDK:22234573~pagePK:34370~piPK:34424~theSitePK:4607.00.html>.