



What is cross debarment?

Cross debarment makes multilateral development bank funding more effective by better eliminating corruption from the bidding process. The heads of five multilateral development banks signed the *Agreement for Mutual Enforcement of Debarment Decisions* on April 9, 2010 in Luxembourg, thus closing a problematic loophole in MDB-financed development programs. The agreement stipulates that entities debarred by one MDB will be sanctioned for the same conduct by the other signatories. Current signatories include the Asian Development Bank Group, African Development Bank, European Bank for Reconstruction and Development, Inter-American Development Bank Group, and World Bank Group.

Where did the idea come from?

The groundwork for this landmark accord was laid out in September 2006 when the Asian Development Bank, African Development Bank, European Bank for Reconstruction and Development, European Investment Bank, Inter-American Development Bank, World Bank Group, and IMF signed the *Uniform Framework for Preventing and Combating Fraud and Corruption*. The agreement standardized the definitions of the practices for which entities could be debarred, or disallowed from receiving future funding.

A **corrupt practice** is the offering, giving, receiving, or soliciting, directly or indirectly, anything of value to influence improperly the actions of another party.

A **fraudulent practice** is any act or omission, including a misrepresentation, that knowingly or recklessly misleads, or attempts to mislead, a

party to obtain a financial or other benefit or to avoid an obligation.

A **coercive practice** is impairing or harming, or threatening to impair or harm, directly or indirectly, any party or the property of the party to influence improperly the actions of a party.

A **collusive practice** is an arrangement between two or more parties designed to achieve an improper purpose, including influencing improperly the actions of another party.

The agreement also set forth guidelines and principles for undertaking investigations in a professional and consistent manner, and suggested the consideration of mutual recognition of debarments in the near future.

How does cross debarment work?

A debarment decision will be eligible for cross debarment if it:

- is for fraud, corruption, collusion or coercion
- is public
- is for at least one year, and
- is not based on a decision of national or other international authority

After it has debarred an entity, an MDB sends a Notice of Debarment Decision to the other signatories.

How else have the MDBs that have signed the agreement harmonized their work?

Participating MDBs had many requirements to fulfill before an accord could be reached. All five MDBs adopted the harmonized definition of sanctionable practices and the investigative guidelines as outlined in the 2006 *Uniform Framework*. They further agreed to offer respondents in cases proper due process, adhere to the “more likely than not” standard of proof in evaluating investigative findings, and to exhibit similar proportionality in deciding what sanctions are imposed. However, each development bank will continue to maintain its own sanctions system.

What has been the impact of cross debarment so far?

Cross debarment has already made it more difficult for corrupt entities to do business with multilateral development banks. To date, eight entities have been cross debarred pursuant to the Agreement. Cross debarment multiplies the

deterrence factor of a single sanction and allows participating institutions to make the most of limited investigative resources. The increased transparency and uniformity of the sanctions process helps bidders have a better understanding of what's expected of them.

Need more information?



African Development Bank

<http://www.afdb.org/en/about-us/structure/auditor-generals-office/integrity-and-anti-corruption/>



Asian Development Bank

www.adb.org/integrity



European Bank for Reconstruction and Development

<http://www.ebrd.com/pages/about/principles/integrity.shtml>



Inter-American Development Bank

www.iadb.org/integrity/



World Bank Group

www.worldbank.org/integrity