

Debarment with Conditional Release & Integrity Compliance

As part of the World Bank Group's (WBG) continuing effort to improve its sanctions regime, the existing sanction of debarment with conditional release has become the default or "baseline" WBG sanction for cases initiated under the WBG's revised Sanctions Procedures effective September 2010. Going forward the establishment (or improvement) and implementation of an integrity compliance program satisfactory to the WBG will be a principal condition to ending a debarment (or conditional non-debarment); or in the case of some existing debarments, early termination of the debarment.

In September 2010, the World Bank Integrity Vice Presidency appointed an Integrity Compliance Officer (ICO). In addition, to monitoring integrity compliance by sanctioned companies (or codes of conduct for individuals), the ICO also will decide whether the compliance condition, and/or others established by the Sanctions Board or a WBG Evaluation and Suspension Officer as part of a debarment, have been satisfied. *See Sanctions Procedures Section 9.03 (Compliance with Conditions for Non-Debarment and Release from Debarment).*

The Summary of World Bank Group Integrity Compliance Guidelines that follow incorporate standards, principles and components commonly recognized by many institutions and entities as good governance and anti-fraud and corruption practices. They are not intended to be all-inclusive, exclusive or prescriptive; rather a party's adoption of these Guidelines, or variants thereof, should be determined based on that party's own circumstances.

Summary of World Bank Group Integrity Compliance Guidelines

1. **Prohibition of Misconduct:** A clearly articulated and visible prohibition of Misconduct (fraud, corruption, collusion and coercive practices), to be articulated in a code of conduct or similar document or communication.
2. **Responsibility:** Create and maintain a trust-based, inclusive organizational culture that encourages ethical conduct, a commitment to compliance with the law and a culture in which Misconduct is not tolerated.
 - 2.1. **Leadership:** Strong, explicit, visible, and active support and commitment from senior management, and the party's Board of Directors or similar bodies, for the party's Integrity Compliance Program (Program) and its implementation, in letter and spirit.
 - 2.2. **Individual Responsibility:** Compliance with the Program is mandatory and is the duty of all individuals at all levels of the party.
 - 2.3. **Compliance Function:** Oversight and management of the Program is the duty of one or more senior corporate officers, with an adequate level of autonomy and with sufficient resources and the authority to effectively implement.
3. **Program Initiation, Risk Assessment and Reviews:** When establishing a suitable Program, carry out an initial (or updated) comprehensive risk assessment relating to the potential for the occurrence of fraud, corruption or other Misconduct in the party's business and operations, taking into account its size, business sector, location(s) of operations and other circumstances particular to the party; and review and update this risk assessment periodically and whenever necessary to meet changed circumstances. Senior management should implement a systemic approach to monitoring the Program, periodically reviewing the Program's suitability, adequacy and effectiveness in preventing, detecting, investigating and responding to all types of Misconduct. It also should take into account relevant developments in the field of compliance and evolving international and industry standards. When shortcomings are identified, the party should take reasonable steps to prevent further similar shortcomings, including

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making any necessary modifications to the Program.

4. **Internal Policies:** Develop a practical and effective Program that clearly articulates values, policies and procedures to be used to prevent, detect, investigate and remediate all forms of Misconduct in all activities under a party's/person's effective control.
 - 4.1. **Due Diligence of Employees:** Vet current and future employees with any decision-making authority or in a position to influence business results, including management and Board members, to determine if they have engaged in Misconduct or other conduct inconsistent with an effective Integrity Compliance Program.
 - 4.2. **Restricting Arrangements with former Public Officials:** Impose restrictions on the employment of, or other remunerative arrangements with, public officials, and with entities and persons associated or related to them, after their resignation or retirement, where such activities or employment relate directly to the functions held or supervised by those public officials during their tenure or those functions over which they were or continue to be able to exercise material influence.
 - 4.3. **Gifts, Hospitality, Entertainment, Travel and Expenses:** Establish controls and procedures covering gifts, hospitality, entertainment, travel or other expenses to ensure that they are reasonable, do not improperly affect the outcome of a business transaction, or otherwise result in an improper advantage.
 - 4.4. **Political Contributions:** Only make contributions to political parties, party officials and candidates in accordance with applicable laws, and take appropriate steps to publicly disclose all political contributions (unless secrecy or confidentiality is legally required).
 - 4.5. **Charitable Donations & Sponsorships:** Take measures within the party's power to ensure that their charitable contributions are not used as a subterfuge for Misconduct. Unless secrecy or confidentiality is legally required, all charitable contributions and sponsorships should be publicly disclosed.
 - 4.6. **Facilitation Payments:** The party should not make facilitation payments.¹
 - 4.7. **Recordkeeping:** Appropriate records must be maintained regarding all aspects covered by the Program, including when any payment is made for the matters or items listed in 4.3 through 4.6 above.
 - 4.8. **Fraudulent, Collusive and Coercive Practices.** Particular safeguards, practices and procedures should be adopted to detect and prevent not only corruption, but also fraudulent, collusive and coercive practices.
5. **Policies re: Business Partners:** Use party's best efforts to encourage all business partners with which the party has a significant business relationship or over which it has influence to adopt an equivalent commitment to prevent, detect, investigate and remediate Misconduct (and, in the case of business partners which are controlled affiliates, joint ventures, unincorporated associations or similar entities, to the extent possible obligate them to so adopt). This includes agents, advisers, consultants, representatives, distributors, contractors, subcontractors, suppliers, joint venture partners, and other

¹ In the event that facilitation payments are not eliminated entirely, in each instance the debarred party should report to the ICO the circumstances surrounding its payment, including whether it was limited to a small payment to a low-level official(s) for a routine action(s) to which the party is entitled and the payment has been appropriately accounted for.

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third parties.

- 5.1. Due Diligence on Business Partners:** Conduct properly documented, risk-based due diligence (including to identify any beneficial owners or other beneficiaries not on record) before entering into a relationship with a business partner, and on an on-going basis. Avoid dealing with contractors, suppliers and other business partners known or (except in extraordinary circumstances and where appropriate mitigating actions are put in place) reasonably suspected to be engaging in Misconduct.
 - 5.2. Inform Partner of Integrity Compliance Program:** Make party's Program known to all business partners and make it clear that the party expects all activities carried out on its behalf to be compliant with its Program.
 - 5.3. Reciprocal Commitment:** Seek reciprocal commitment to compliance from party's business partners. If business partners do not have an integrity compliance program, the party should encourage them to adopt a robust and effective program by reference to the activities and circumstances of those partners.
 - 5.4. Proper Documentation:** Document fully the relationship with the party's business partners.
 - 5.5. Appropriate Remuneration:** Ensure that any payment made to any business partner represents an appropriate and justifiable remuneration for legitimate services performed or goods provided by such business partner and that it is paid through *bona fide* channels.
 - 5.6. Monitoring/Oversight:** Monitor the execution of all contracts to which the party is a party in order to ensure, as far as is reasonable, that there is no Misconduct in their execution. The party should also monitor the programs and performance of business partners as part of its regular review of its relationships with them.
- 6. Internal Controls:**
- 6.1. Financial:** Establish and maintain an effective system of internal controls comprising financial and organizational checks and balances over the party's financial, accounting and recordkeeping practices, and other business processes. The party should subject the internal controls systems, in particular the accounting and recordkeeping practices, to regular, independent, internal and external audits to provide an objective assurance on their design, implementation and effectiveness and to bring to light any transactions which contravene the Program.
 - 6.2. Contractual Obligations:** Employment and business partner contracts should include express contractual obligations, remedies and/or penalties in relation to Misconduct (including in the case of business partners, a plan to exit from the arrangement, such as a contractual right of termination, in the event that the business partner engages in Misconduct).
 - 6.3. Decision-Making Process:** Establish a decision-making process whereby the decision process and the seniority of the decision-maker is appropriate for the value of the transaction and the perceived risk of each type of Misconduct.
- 7. Training & Communication:** Take reasonable, practical steps to periodically communicate its Program, and provide and document effective training in the Program tailored to relevant needs, circumstances, roles and responsibilities, to all levels of the party (especially those involved in "high risk" activities) and, where appropriate, to business partners. Party management also should make statements in its annual reports or otherwise publicly disclose or disseminate knowledge about its Program.
- 8. Incentives:**

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- 8.1. Positive:** Promote the Program throughout the party by adopting appropriate incentives to encourage and provide positive support for the observance of the Program at all levels of the party.
 - 8.2. Disciplinary Measures:** Take appropriate disciplinary measures (including termination) with all persons involved in Misconduct or other Program violations, at all levels of the party including officers and directors.
- 9. Reporting:**
- 9.1. Duty to report:** Communicate to all personnel that they have a duty to report promptly any concerns they may have concerning the Program, whether relating to their own actions or the acts of others.
 - 9.2. Advice:** Adopt effective measures and mechanisms for providing guidance and advice to management, staff and (where appropriate) business partners on complying with the party's Program, including when they need urgent advice on difficult situations in foreign jurisdictions.
 - 9.3. Whistleblowing/Hotlines:** Provide channels for communication (including confidential channels) by, and protection of, persons not willing to violate the Program under instruction or pressure from hierarchical superiors, as well as for persons willing to report breaches of the Program occurring within the party. The party should take appropriate remedial action based on such reporting.
 - 9.4. Periodic Certification:** All relevant personnel with decision-making authority or in a position to influence business results should periodically (at least annually) certify, in writing, that they have reviewed the party's code of conduct, have complied with the Program, and have communicated to the designated corporate officer responsible for integrity compliance matters any information they may have relating to a possible violation of the Program by other corporate personnel or business partners.
- 10. Remediate Misconduct:**
- 10.1. Investigating Procedures:** Implement procedures for investigating Misconduct and other violations of its Program which are encountered, reported or discovered by the party.
 - 10.2 Respond:** When Misconduct is identified, the party should take reasonable steps to respond with appropriate corrective action and to prevent further or similar Misconduct and other violations of its Program.
- 11. Collective Action:** Where appropriate - especially for SMEs and other entities without well-established Programs, and for those larger corporate entities with established Programs, trade associations and similar organizations acting on a voluntary basis - endeavor to engage with business organizations, industry groups, professional associations and civil society organizations to encourage and assist other entities to develop programs aimed at preventing Misconduct.