

## I) INTRODUCTION

**Purpose:** This pamphlet provides the reader with a non-technical explanation of the World Bank's Guidelines on Preventing and Combating Corruption in Projects financed by IBRD loans and IDA Credits and Grants (*Anti-Corruption Guidelines*). It is intended primarily for Borrowers and other recipients of World Bank loan proceeds to facilitate their understanding of the Guidelines. It is not intended to substitute for the *Anti-Corruption Guidelines*. For a full treatment of this subject, please refer to the attached Anti-Corruption Guidelines.

## II) BACKGROUND

### **Corruption Undermines Development Effectiveness**

Fraud and corruption impair development in all its dimensions. Diversion of funds from development projects through fraud, corruption, collusion, and coercion<sup>1</sup> impairs the ability of governments, donors and the World Bank to achieve the goals of reducing poverty, attracting investment, and encouraging good governance.

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<sup>1</sup> Collectively hereinafter referred to along with obstruction as “fraud and corruption.”

The money used to pay a kickback or bribe must come from some part of the overall project financing generally leading to increased prices and decreased quality or performance. That means less effective projects. When less-qualified bidders are awarded contracts through bid rigging and other anti-competitive activities, qualified bidders lose confidence in the system and stop bidding. Public awareness of entrenched corruption erodes trust in government institutions, leading to acceptance of substandard public services and infrastructure, and an environment that discourages reporting allegations of fraud and corruption. Finally, the ultimate losers in the corruption game are the people themselves, who are denied the full development impact that the project could have achieved.

**Effectively Addressing Corruption Requires Joint  
Efforts by the Borrowers, World Bank, and other  
Development Partners**

Rooting out corruption in development assistance requires a collaborative effort among Borrowers, the Bank and its development partners. This calls for continued efforts on the part of the Borrower, other recipients of loan proceeds, and the Bank to help prevent fraud and corruption wherever they are found, while simultaneously strengthening the institutional structures that will ultimately help stop corruption at its source.

The good news is that important steps have already been taken. In 2006, the Bank embarked on a series of reforms resulting in guidelines for Borrowers on

preventing and combating corruption in Bank financed projects to ensure that loan proceeds are used for the intended purpose of promoting development and reducing poverty. The Guidelines are intended to set out clearly the actions that Borrowers and other recipients of loan proceeds should take to try to prevent cases of fraud and corruption from occurring, and to address them if they do occur.

**The sanctions regime is the term used to describe the arrangements under which the Bank may sanction certain persons and entities involved in Bank financed projects that have engaged in defined forms of Fraud, Corruption, Collusion, Coercion or Obstruction, commonly referred to as fraud and corruption.**

### III) THE WORLD BANK & SANCTIONS

Since 1996, the World Bank's *Procurement Guidelines* and *Consultant Guidelines* have enabled the Bank to sanction firms and individuals that are found to have engaged in fraud or corruption in connection with the procurement of goods or services, the selection of consultants, or the execution of any resulting contracts. Since 1999, more than 330 firms and individuals have been sanctioned by the Bank for engaging in fraud and corruption in Bank financed projects. Both sets of guidelines currently contain definitions of the specific sanctionable offenses of fraud, corruption, collusion, coercion and obstruction.

**Sanctions Reform.** In 2006, the World Bank adopted a series of reforms to its sanctions regime aimed at helping ensure uniform compliance with the highest ethical standards in all aspects of Bank financed projects across the world. These standards will help level the playing field among all the various individuals and entities involved in Bank financed projects.

In essence, the reform involved the following changes:

- Adoption of new definitions of corrupt, fraudulent, coercive and collusive practices which, among other things, expanded coverage of the sanctions regime beyond procurement.
- Adoption of a new sanctionable offense, “obstructive practice,” defined as the deliberate obstruction of Bank investigations into fraud and corruption.
- Expansion of the reach of the sanctions regime to include IFC and MIGA operations.

Before sanctions reform, corrupt practices, such as the following, were escaping sanctions:

- A firm could escape sanction even though it obstructed an investigation to the point that the Bank could not gather sufficient evidence to prove the allegation of fraud and corruption.
- A commercial bank, acting as a financial

intermediary making sub-loans to local beneficiaries out of the proceeds of a Bank loan, could escape sanction even though it demanded kickbacks.

- A financial intermediary could escape sanction even though it made false representations to the Borrower and the Bank in order to persuade them that the entity satisfied requirements for participating in the project.
- An NGO engaged by the Borrower to serve as the implementing agency for a Bank-financed project could escape sanction even though it provided false financial information to the Borrower and the Bank, failed to follow the Bank's procurement procedures for Bank financed contracts, charged a billing factor on all Bank financed technical assistance contracts, made improper purchases using loan proceeds, and/or split contracts to avoid review thresholds.

#### **IV) DEFINITIONS OF SANCTIONABLE OFFENSES**

The following are the definitions of sanctionable offenses of fraud and corruption as they appear in the Anti-Corruption Guidelines. Each definition is followed by an example as an illustration:

- A **corrupt practice** is the offering, giving, receiving, or soliciting, directly or indirectly, anything of value to influence improperly the actions of another party.
  - **Example:** A company is awarded Bank-financed contracts from governments in exchange for a bribe or kickbacks. Kickbacks generally occur when a company that is awarded a contract “kicks back” money to the ministry official(s) who steered the award of the contract to that company. Typically, the kickback is a percentage of the value of the contract and, in countries with systemic corruption, the percentage is built into the cost that all bidders consider when bidding on contracts. In most cases, the money paid in bribes or kickbacks is extracted from the project financing, decreasing development impact.
  
- 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.
  - **Example:** During the implementation of a project, the poor performance of a key consulting company raises suspicion that the capacities and qualifications of

the company might have been misrepresented. An investigation reveals that the experience and credentials of the principal as well as the qualifications and certifications of the consulting firm were misrepresented in order to meet the selection criteria of the tender.

- 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.
  - **Example:** In a roads project, procurement for two Bank financed roads is found to be tainted by the use of intimidation of competing bidders. An investigation reveals that a company that was pre-determined to win contracts in a collusive scheme used a combination of threats to the future business interests of competitor companies or threats to the physical well being of competitors' staff, in addition to payments to "losing" bidders, to ensure that other bidders submitted inflated bids. In one instance, representatives of one company held the rival bidder's staff captive in order to force the competitor to miss the bid submission deadline. The effect of the collusion is that winning bid prices are considerably

higher than they would have been through genuine competitive bidding. As a result, the project's developmental impact is eroded and confidence in the Bank's procurement system severely undermined.

- 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.
  - **Example:** A borrowing government arrests an official of an agency that is responsible for implementing a Bank financed project on charges of financial impropriety. On the basis of that arrest and subsequent information from a contractor, an investigation of the relevant contracts is carried out, and reveals that the agency official had arranged a collusion "ring" to steer a large number of contract awards to his own company and to the companies of people known to him. To implement the collusion, the agency official influenced local officials who had a role in awarding the contracts.
- An **Obstructive practice** is deliberately destroying, falsifying, altering or concealing of evidence material to the investigation or making

false statements to investigators in order to materially impede a World Bank investigation.

- **Example:** Based on an allegation of corruption, investigators contacted a company that was awarded a contract on a Bank financed project to audit the financial records. While the company is obligated under its contract to allow access to these records, it refused to do so. This refusal of access is itself an offense that could render the company ineligible to bid on future Bank contracts.

**The *Anti-Corruption Guidelines* do not require that the illicit act be completed or succeed in its purpose in order for the act to constitute a sanctionable offense. For example, offering to make corrupt payment to another party constitutes a corrupt practice and may be sanctioned whether or not the offer was accepted or the purpose of the payment was achieved.**

## **V) ACTIONS FOR BORROWERS & OTHER RECIPIENTS OF LOANS TO HELP PREVENT AND COMBAT CORRUPTION IN BANK FINANCED PROJECTS**

The *Guidelines* spell out actions for Borrowers and other recipients of loan proceeds to help prevent and combat fraud and corruption in Bank financed projects. These actions include:

- Taking all appropriate measures to prevent fraud and corruption on the project, such as maintaining appropriate fiduciary and administrative arrangements. The Borrower and the Bank will agree on these arrangements as part of project design, and, if supervision uncovers weaknesses, these need to be addressed during implementation.
- Raising awareness, making sure that the *Anti-Corruption Guidelines* are made available to project staff and the NGOs, financial intermediaries, and other implementing agencies and their staff working on the project.
- Reporting allegations of fraud and corruption in connection with the use of loans to the World Bank and cooperating with Bank investigations.
- If fraud or corruption does occur in a Bank financed project, taking timely and appropriate action to address the problem. The Borrower and the Bank will consult on what needs to be done in each case.

- Borrowers need to include anti-corruption clauses in their agreements with other recipients of loan proceeds (including project implementing entities). Under these clauses, the recipient of loan proceeds agrees to abide by the *Anti-Corruption Guidelines*. If the recipient is ever sanctioned by the World Bank for violating these guidelines, the Borrower may terminate the agreement. Recipients of loan proceeds that enter into agreements with other recipients of loan proceeds will need to include the same clauses in those agreements.

**What's new?** Most of these actions are not really new. The *Guidelines* are simply spelling out more clearly what the Bank already expects the Borrower to be doing to help prevent and combat fraud and corruption in Bank-financed projects. But there are some new obligations that arise by virtue of the fact that the sanctions regime has been expanded to cover recipients other than suppliers and contractors from whom goods and services are procured under the Bank's *Procurement Guidelines* and consultants employed under the Bank's *Consultant Guidelines*.

This should not result in significant new expenses for the Borrower. For example, awareness raising can be handled as part of project launch and should not normally require a special event. These modalities can be worked out as part of project design. More information on what Borrowers and other recipients of loan proceeds can be doing to prevent and combat corruption is available from the World Bank (see below).

## **VI) WORLD BANK ACTIONS IN CASES OF FRAUD AND CORRUPTION**

The Anti-Corruption Guidelines also spell out the actions that the World Bank can take against firms and individuals that engage in sanctionable offenses in a Bank-financed project. It does so by following a defined process designed to protect the funds entrusted to the Bank and ensure that the proceeds are used for the purposes intended. In addition, the Guidelines provide firms and individuals a process through which they can respond to allegations of wrongdoing.

Allegations that a firm or individual has engaged in sanctionable offenses are investigated by the World Bank's Department of Institutional Integrity (INT). If INT finds sufficient evidence to substantiate the allegations, the case is referred to an Evaluations and Suspension Officer (EO).

The EO reviews the evidence submitted by INT and determines if alleged fraud or corruption has occurred. If so, he or she issues a *Notice of Sanctions Proceedings* to the firm or individual alleged to have engaged in the fraud or corruption. The Notice includes the allegations, the evidence and a recommended sanction. The firm or individual can choose not to contest the allegations or the recommended sanction, in which case the recommended sanction is imposed. The EO can also temporarily suspend a firm or individual from bidding on Bank-financed contracts pending the final outcome of the sanctions process.

If the firm or individual contests the allegations or the recommended sanction, the case is referred to the World Bank's Sanctions Board. The Sanctions Board is comprised of three Bank staff and four external members. The Board considers the allegations and recommendation in the Notice, along with any response from the firm or individual, before taking a final decision on the case. The Board reviews all of the evidence in the case and may hold a hearing as part of its deliberations.

The Bank may impose a number of different sanctions on recipients of loan proceeds that have engaged in corruption:

- A public **letter of reprimand** to the sanctioned party.
- **Debarment**, which means that the sanctioned party is barred, effective immediately, from participating in Bank projects, either indefinitely or for a period of time.
- **Conditional non-debarment**, which means that the sanctioned party is told that they will be debarred unless they comply with certain conditions, i.e., doing certain things to make sure that fraud and corruption does not happen again, such as putting in place an ethics program, and/or making up for the damage caused by their actions, such as restitution (see below);

- **Debarment with conditional release**, which means that the sanctioned party is debarred until the specified conditions have been complied with; and
- **Restitution**, which means paying back the ill-gotten gains to the government or to the victim of the fraud and corruption.

The World Bank does not sanction member governments or government officials. If fraud or corruption takes place within a government, the Bank works with the government to solve the problem and, if a solution cannot be found, the Bank can take action under its legal agreement with the country. It may suspend disbursement of the loan and/or cancel undisbursed loan amounts and, may even require early repayment of the loan. The Bank can take such actions if:

- The Bank determines that fraud or corruption has occurred in connection with the loan proceeds, and the Borrower fails to take timely and appropriate action.
- The Borrower (if the borrower is not a member country) has been sanctioned under another project.
- The Borrower or another recipient of loan proceeds has failed to abide by its obligations under the *Anti-Corruption Guidelines*.

## **VII) Harmonization with International Financial Institutions (IFIs) and Donors**

In February, 2006, the heads of the African Development Bank, Asian Development Bank, Inter-American Development Bank, European Investment Bank, European Bank for Reconstruction and Development, the International Monetary Fund and the World Bank announced a joint IFI (International Financial Institutions) task force on anti-corruption. The leaders agreed on the need to “standardize their definition of corruption, to improve the consistency of their investigative rules and procedures, to strengthen information sharing, and to assure compliance and enforcement actions taken by one institution are supported by all others.”

The IFI Task Force Joint Framework was announced on September 17, 2006, at the World Bank Annual Meetings in Singapore. This unprecedented agreement among the IFI’s represents a significant step forward, as it allows all IFIs to work according to the same set of standards and procedures. The Joint Framework provides new harmonized definitions of fraudulent and corrupt practices, principles and guidelines for investigations, and the promotion of information exchange across the institutions, among other measures.

## VIII) Contact Information

The full version of the *Anti-Corruption Guidelines on Preventing and Combating Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants* is appended to this pamphlet. Should you have any questions or comments, please contact your nearest World Bank Country Office or send a query through the following website: [www.worldbank.org/sanctionsreform](http://www.worldbank.org/sanctionsreform)

You may also call the INT Fraud and Corruption Hotline 1-800-831-0463 or call collect at 1-704-556-7046. Please note that anonymous calls are also accepted. Alternatively, you may e-mail [investigations\\_hotline@worldbank.org](mailto:investigations_hotline@worldbank.org).

Please find the full version of the Anti-Corruption Guidelines on Preventing and Combating Corruption in Projects Financed by IBRD Loans and IDA Credits appended to this User's Guide.

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**Guidelines on Preventing and  
Combating Fraud and Corruption in  
Projects Financed by IBRD Loans  
and IDA Credits and Grants**

**Dated October 15, 2006**

**Purpose and General Principles**

1. These Guidelines are designed to prevent and combat fraud and corruption that may occur in connection with the use of proceeds of financing from the International Bank for Reconstruction and Development (IBRD) or the International Development Association (IDA) during the preparation and/or implementation of IBRD/IDA-financed investment projects. They set out the general principles, requirements and sanctions applicable to persons and entities which receive, are responsible for the deposit or transfer of, or take or influence decisions regarding the use of, such proceeds.

2. All persons and entities referred to in paragraph 1 above must observe the highest standard of ethics. Specifically, all such persons and entities must take all appropriate measures to prevent and combat fraud and corruption, and refrain from engaging in, fraud and corruption in connection with the use of the proceeds of IBRD or IDA financing.

## Legal Considerations

3. The Loan Agreement<sup>1</sup> providing for a Loan<sup>2</sup> governs the legal relationships between the Borrower<sup>3</sup> and the Bank<sup>4</sup> with respect to the particular project for which the Loan is made. The responsibility for the implementation of the project<sup>5</sup> under the Loan

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<sup>1</sup> References in these Guidelines to “Loan Agreement” include any Guarantee Agreement providing for a guarantee by the Member Country of an IBRD Loan, Financing Agreement providing for an IDA Credit or IDA Grant, agreement providing for a project preparation advance, or Institutional Development Fund (IDF) Grant, Trust Fund Grant Agreement providing for a recipient-executed trust fund Grant in cases where these Guidelines are made applicable to such agreement, and the Project Agreement with a Project Implementing Entity related to an IBRD loan or IDA credit or grant.

<sup>2</sup> References to “Loans” include IBRD loans as well as IDA credits and grants, project preparation advances, IDF grants and recipient-executed trust fund grants for projects to which these Guidelines are made applicable under the agreement providing for such grant, but excludes development policy lending, unless the Bank agrees with the Borrower on specified purposes for which loan proceeds may be used.

<sup>3</sup> References in these Guidelines to the “Borrower” include the recipient of a grant. In some cases, an IBRD Loan may be made to an entity other than the Member Country. In such cases, references in these Guidelines to “Borrower” include the Member Country as Guarantor of the Loan, unless the context requires otherwise. In some cases, the project, or a part of the project, is carried out by a Project Implementing Entity with which the Bank has entered into a Project Agreement. In such cases, references in these Guidelines to the “Borrower” include the Project Implementing Entity, as defined in the Loan Agreement.

<sup>4</sup> References in these Guidelines to the “Bank” include both IBRD and IDA.

<sup>5</sup> References in these Guidelines to the “project” means the Project as defined in the Loan Agreement.

Agreement, including the use of Loan proceeds, rests with the Borrower. The Bank, for its part, has a fiduciary duty under its Articles of Agreement to “make arrangements to ensure that the proceeds of any loan are used only for the purposes for which the loan was granted, with due attention to considerations of economy and efficiency and without regard to political or other non-economic influences or considerations.”<sup>6</sup> These Guidelines constitute an important element of those arrangements and are made applicable to the preparation and implementation of the project as provided in the Loan Agreement.

### **Scope of Application**

4. The following provisions of these Guidelines cover fraud and corruption that may occur in connection with the use of Loan proceeds during the preparation and implementation of a project financed, in whole or in part, by the Bank. These Guidelines cover fraud and corruption in the direct diversion of Loan proceeds for ineligible expenditures, as well as fraud and corruption engaged in for the purpose of influencing any decision as to the use of Loan proceeds. All such fraud and corruption is deemed, for purposes of these Guidelines, to occur “in connection with the use of Loan proceeds.”

5. These Guidelines apply to the Borrower and all other persons or entities which either receive Loan proceeds for their own use (e.g., “end users”), persons or entities such as fiscal agents which are responsible

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<sup>6</sup> IBRD’s Articles of Agreement, Article III, Section 5(b); IDA’s Articles of Agreement, Article V, Section 1(g).

for the deposit or transfer of Loan proceeds (whether or not they are beneficiaries of such proceeds), and persons or entities which take or influence decisions regarding the use of Loan proceeds. All such persons and entities are referred to in these Guidelines as “recipients of Loan proceeds,” whether or not they are in physical possession of such proceeds.<sup>7</sup>

6. The Bank’s specific policy requirements on fraud and corruption in connection with the procurement or execution of contracts for goods, works or services financed out of the proceeds of a Loan from the Bank, are covered in the *Guidelines: Procurement under IBRD Loans and IDA Credits*, May 2004, as revised October 2006 (“Procurement Guidelines”) and the *Guidelines: the Selection and Employment of Consultants by World Bank Borrowers*, May 2004, as revised October 2006 (“Consultant Guidelines”).

## **Definitions of Practices Constituting Fraud and Corruption**

7. These Guidelines address the following defined practices when engaged in by recipients of Loan proceeds in connection with the use of such proceeds:<sup>8</sup>

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<sup>7</sup> Certain persons or entities may fall under more than one category identified in paragraph 5. A financial intermediary, for example, may receive payment for its services, will transfer funds to end users and will make or influence decisions regarding the use of loan proceeds.

<sup>8</sup> Unless otherwise specified in the Loan Agreement, whenever these terms are used in the Loan Agreement, including in the applicable General Conditions, they have the meanings set out in paragraph 7 of these Guidelines.

(a) A “corrupt practice” is the offering, giving, receiving or soliciting, directly or indirectly, of anything of value to influence improperly the actions of another party.<sup>9</sup>

(b) A “fraudulent practice” is any act or omission, including a misrepresentation, that knowingly or recklessly<sup>10</sup> misleads, or attempts to mislead, a party to obtain a financial or other benefit or to avoid an obligation.

(c) A “collusive practice” is an arrangement between two or more parties designed to achieve an improper purpose, including to influence improperly the actions of another party.

(d) 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.

(e) An “obstructive practice” is (i) deliberately destroying, falsifying, altering or concealing of evidence material to the investigation or making false statements to investigators in order to materially impede a

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<sup>9</sup> Typical examples of corrupt practice include bribery and “kickbacks.”

<sup>10</sup> To act “knowingly or recklessly,” the fraudulent actor must either know that the information or impression being conveyed is false, or be recklessly indifferent as to whether it is true or false. Mere inaccuracy in such information or impression, committed through simple negligence, is not enough to constitute fraudulent practice.

Bank investigation into allegations of a corrupt, fraudulent, coercive or collusive practice; and/or threatening, harassing or intimidating any party to prevent it from disclosing its knowledge of matters relevant to the investigation or from pursuing the investigation, or (ii) acts intended to materially impede the exercise of the Bank's contractual rights of audit or access to information.<sup>11</sup>

8. The above practices, as so defined, are sometimes referred to collectively in these Guidelines as “fraud and corruption.”

### **Borrower Actions to Prevent and Combat Fraud and Corruption in connection with the Use of Loan Proceeds**

9. In furtherance of the above-stated purpose and general principles, the Borrower will:

- (a) take all appropriate measures to prevent corrupt, fraudulent, collusive, coercive and obstructive practices in connection with the use of Loan proceeds, including (but not limited to)
  - (i) adopting appropriate fiduciary and administrative practices and institutional arrangements to ensure that the proceeds of the Loan are used only for the purposes for which the Loan was granted, and
  - (ii) ensuring that all

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<sup>11</sup> Such rights include those provided for, *inter alia*, in paragraph 9(d) below.

of its representatives<sup>12</sup> involved with the project, and all recipients of Loan proceeds with which it enters into an agreement related to the Project, receive a copy of these Guidelines and are made aware of its contents;

(b) immediately report to the Bank any allegations of fraud and corruption in connection with the use of Loan proceeds that come to its attention;

(c) if the Bank determines that any person or entity referred to in (a) above has engaged in corrupt, fraudulent, collusive, coercive or obstructive practices in connection with the use of Loan proceeds, take timely and appropriate action, satisfactory to the Bank, to address such practices when they occur;

(d) include such provisions in its agreements with each recipient of Loan proceeds as the Bank may require to give full effect to these Guidelines, including (but not limited to) provisions (i) requiring such recipient to abide by paragraph 10 of these Guidelines, (ii) requiring such recipient to permit the Bank to inspect all of their accounts and records and other documents relating to the project required to be maintained pursuant to the Loan Agreement and to have them audited by, or on behalf of, the Bank, (iii) providing for the early termination or suspension by the Borrower of the agreement if such recipient is declared

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<sup>12</sup> References in these Guidelines to “representatives” of an entity also include its officials, officers, employees and agents.

ineligible by the Bank under paragraph 11 below; and (iv) requiring restitution by such recipient of any amount of the loan with respect to which fraud and corruption has occurred;

(e) cooperate fully with representatives of the Bank in any investigation into allegations of fraud and corruption in connection with the use of loan proceeds; and

(f) in the event that the Bank declares any recipient of Loan proceeds ineligible as described in paragraph 11 below, take all necessary and appropriate action to give full effect to such declaration by, among other things, (i) exercising the Borrower's right to terminate early or suspend the agreement between the Borrower and such recipient and/or (ii) seeking restitution.

### **Other Recipients of Loan Proceeds**

10. In furtherance of the above-stated purpose and general principles, each recipient of Loan proceeds which enters into an agreement with the Borrower (or with another recipient of Loan proceeds) relating to the Project will:

(a) carry out its project-related activities in accordance with the above-stated general principles and the provisions of its agreement with the Borrower referred to in paragraph 9 (d) above; and include similar provisions in any agreements related to the Project into which it

may enter with other recipients of Loan proceeds;

(b) immediately report to the Bank any allegations of fraud and corruption in connection with the use of loan proceeds that come to its attention;

(c) cooperate fully with representatives of the Bank in any investigation into allegations of fraud and corruption in connection with the use of loan proceeds;

(d) take all appropriate measures to prevent corrupt, fraudulent, collusive, coercive and obstructive practices by its representatives (if any) in connection with the use of loan proceeds, including (but not limited to): (i) adopting appropriate fiduciary and administrative practices and institutional arrangements to ensure that the proceeds of the loan are used only for the purposes for which the loan was granted, and (ii) ensuring that all its representatives receive a copy of these Guidelines and are made aware of its contents;

(e) in the event that any representative of such recipient is declared ineligible as described in paragraph 11 below, take all necessary and appropriate action to give full effect to such declaration by, among other things, either removing such representative from all duties and responsibilities in connection with the project or, when requested by the Bank or otherwise appropriate, terminating its

contractual relationship with such representative; and

(f) in the event that it has entered into a project-related agreement with another person or entity which is declared ineligible as described in paragraph 11 below, take all necessary and appropriate action to give full effect to such declaration by, among other things, (i) exercising its right to terminate early or suspend such agreement and/or (ii) seeking restitution.

### **Sanctions and Related Actions by the Bank in Cases of Fraud and Corruption**

11. In furtherance of the above-stated purpose and general principles, the Bank will have the right to take the following actions:

(a) sanction any recipient of Loan proceeds<sup>13</sup> other than the Member Country<sup>14</sup>

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<sup>13</sup> As in the case for bidders in the procurement context, the Bank may also sanction persons and entities which engage in fraud or corruption in the course of applying to become a recipient of Loan proceeds (e.g., a bank which provides false documentation so as to qualify as a financial intermediary in a Bank-financed project) irrespective of whether they are successful.

<sup>14</sup> Member Country includes officials and employees of the national government or of any of its political or administrative subdivisions, and government owned enterprises and agencies that are not eligible to bid under paragraph 1.8(b) of the Procurement Guidelines or participate under paragraph 1.11(c) of the Consultant Guidelines.

(and/or, if such recipient is an entity rather than a natural person, any of its representatives); sanctions include (but are not limited to) declaring such person or entity ineligible to receive the proceeds of any loan made by the Bank or otherwise to participate further in the preparation or implementation of the project or any other project financed, in whole or in part, by the Bank, if at any time the Bank determines<sup>15</sup> that such person or entity has engaged in corrupt, fraudulent, collusive, coercive or obstructive practices in connection with the use of loan proceeds;<sup>16</sup>

(b) if the Bank determines that any such recipient of Loan proceeds is also a potential provider of goods, works or services, declare it ineligible under paragraph 1.8 (d) of the Procurement Guidelines or paragraph 1.11 (e) of the Consultant Guidelines (as appropriate); and

(c) declare a firm, consultant or individual ineligible under paragraph 11 (a) above if such firm, consultant or individual has been declared ineligible under paragraph 1.14 of the Procurement Guidelines or under paragraph 1.22 of the Consultant Guidelines.

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<sup>15</sup> The Bank has established a Sanctions Board, and related procedures, for the purpose of making such determinations. The procedures of the Sanctions Board sets forth the full set of sanctions available to the Bank.

<sup>16</sup> The sanction may, without limitation, also include restitution of any amount of the loan with respect to which sanctionable conduct has occurred. The Bank may publish the identity of any entity declared ineligible under paragraph 11.

## Miscellaneous

12. The provisions of these Guidelines do not limit any other rights, remedies<sup>17</sup> or obligations of the Bank or the Borrower under the Loan Agreement or any other document to which the Bank and the Borrower are both parties.

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<sup>17</sup> The Loan Agreement provides the Bank with certain rights and remedies which it may exercise with respect to the Loan in the event of fraud and corruption in connection with the use of Loan proceeds, in the circumstances described therein.