



Washington, DC, May 5, 2010 –

Representatives from multilateral development banks met today to discuss cross debarment at a roundtable hosted by TI-USA. Five MDBs agreed last month to cross debar entities who have engaged in fraudulent activity on bank-financed development projects. The World Bank expects to begin cross debarring individuals and firms by June 2010.

Speakers from the multilateral development banks described the “long road” to cross debarment which required participants to harmonize their practices and policies, including:

- Adopting the same definitions for sanctionable conduct, known as fraudulent, corrupt, coercive, and collusive practices;
- pledging adherence to conduct “fair, impartial and thorough investigations”; and
- endorsing an investigation and enforcement process that includes 1) notice and an opportunity for those accused to respond, and 2) taking into account the principle of proportionality by considering mitigating and aggravating factors.

Speakers pledged to use a broad provision that allows participating institutions to decline to enforce another institution’s sanction only in “exceptional circumstances.” When participating institutions decline to cross debar under this provision they are not required to take any substitute precautionary measures to mitigate corruption risk. Although understanding the circumstances that lead to debarment and mitigating that risk is not required under the agreement, all agreed it was incumbent on the institution to do so. One speaker went so far as to say it would be “reckless” for the institution *not* to implement mitigating measures in this circumstance.

Multilateral development banks who have not signed onto the agreement can still recognize the sanction imposed by the participating institutions. After the agreement is implemented, participating institutions are expected to publish the names of individuals and entities that have been sanctioned.

Other anticorruption measures in the works include sanctions reform at the World Bank. Debarment with conditional release would reduce the length of the sanction if the sanctioned entity agrees to implement a compliance program to address fraud and corruption risks. The sanction reforms are intended to increase predictability in the Bank’s sanctions process by publicizing aggravating and mitigating circumstances that could affect the sanction.

Cross debarment is an important component of the participating institutions’ fight against corruption. Other measures to prevent and detect corruption are also critical to the anticorruption agenda. TI-USA supports complementary measures such as requiring all contractors on bank-financed projects to have effective compliance programs and encouraging borrowers to sanction public officials who engage in corrupt practices.