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United States Senate

COMMITTEE ON FOREIGN RELATIONS

WASHINGTON, DC 20510-6225

April 11, 2007

Jean Lemierre, President
European Bank for Reconstruction and Development
One Exchange Square
London EC2A 2JN
UNITED KINGDOM

Dear President Lemierre:

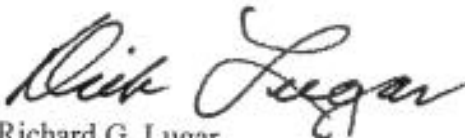
I appreciate your efforts to pursue good governance through the European Bank for Reconstruction and Development. The effort to fight corruption will help ensure that development bank funds reach the projects and programs designed to alleviate poverty.

As you know, the Senate Foreign Relations Committee held six oversight hearings focused on the multilateral development banks. I introduced legislation which became law in late 2005 to promote anti-corruption reforms and transparency at the development banks.

I would be grateful if you could please provide me with a written description of anti-corruption reforms and transparency measures that the European Bank for Reconstruction and Development has implemented since November 2005. This information will be shared with my Senate colleagues.

I appreciate your perseverance in promoting good governance. Should your staff have any questions about my request, please direct them to Nilmini Rubin or Jay Branegan at (202) 224-6797.

Sincerely,



Richard G. Lugar
United States Senator

RGL/nrk



European Bank
for Reconstruction and Development

Jean Lemierre

President

Senator Richard G. Lugar
United States Senate
Committee on Foreign Relations
Washington DC
20510-6225
UNITED STATES OF AMERICA

10 May 2007

Dear Senator Lugar,

Thank you for your letter dated 11 April 2007. I am of course aware of the commendable efforts undertaken by you and the Senate's Committee on Foreign Relations to improve the capacity and effectiveness of the anti-corruption measures adopted by the multilateral development banks, including the EBRD.

As you may know, Mr. Branegan has liaised and, indeed, met with staff members from the Bank's Office of the Chief Compliance Officer, and I am therefore confident that you are already apprised of many of the anti-corruption developments that have occurred in the EBRD since November 2005. However, in reply to your request, I would like to highlight in this letter several noteworthy advances in the EBRD's strategy for combating corruption and for enhancing transparency.

Anti-corruption Advances

Codes of Conduct

In May of 2006, the EBRD's Board of Governors adopted two new codes of conduct (see: <http://www.ebrd.com/about/strategy/general/codes.htm>). These modernised and replaced the code of conduct adopted in 1991, when the Bank started operating. The adoption of the new codes has undoubtedly enhanced the institution's capacity to prevent, identify and investigate acts of corruption, while also improving the transparency and accountability of the institution. The codes regulate separately the conduct of the staff of the Bank, including its senior management, as well as the conduct of members of the Bank's Board of Directors (Board Officials). Both codes reaffirm the Bank's commitment to protect whistleblowers and to promote integrity in personal financial dealings through disclosure obligations. Furthermore, the code for Board Officials is unique amongst the international financial institution community, in that it not only imposes obligations but also provides for an effective and transparent enforcement mechanism.

Integrity and Anti-Money Laundering Training

Training is a key element in support of the Bank's ethical standards. Mandatory integrity training is required for all new joining staff irrespective of the level of seniority. Anti-money laundering and counter-terrorist financing (AML/CFT) special

training courses have also been initiated this year for all EBRD staff that play a role in its investment operations. In addition, the EBRD has spearheaded an EU/Swiss funded initiative that provided hands-on practical AML/CFT training for over 300 bankers from 17 countries in which the EBRD operates.



Due Diligence Guidelines

In July of 2006, the Bank adopted internal working guidelines addressing integrity risks in its investment activities. These guidelines provide sound advice and guidance to the institution's bankers on how they should evaluate the integrity and reputational risks associated with potential clients. The EBRD's anti-corruption strategy has always been focused on prevention and the implementation of these new guidelines enhances the Bank's ability to protect itself and its funds from those individuals who do not meet the Bank's ethical standards. It is noteworthy that the guidelines, in conjunction with the Bank's anti-money laundering and counter terrorist financing 'red flag' check lists, have been recognised as the benchmark for good practice in the private sector operations of the other multilateral development banks, as evidenced by the distillation of the guidelines' key principles in the *Uniform Framework for Preventing and Combating Fraud and Corruption*.

Harmonisation Initiatives

In September of 2006, the Anti-corruption Task Force, of which the EBRD was a member, reported on how the international financial institutions could harmonise and thereby improve their respective approaches to combating corruption. The Anti-corruption Task Force published the *Uniform Framework for Preventing and Combating Fraud and Corruption*, which succeeded in achieving unanimity on the definitions of corrupt, fraudulent, coercive and collusive practices (see: <http://www.ebrd.com/about/integrity/task.pdf>). Moreover, the task force harmonised the principles and guidelines to be followed in the conduct of investigations into such practices, as well as obtaining agreements to exchange information; follow broadly similar principles in respect of integrity due diligence investigations; and to support anti-corruption efforts in member countries. I am pleased to report that the EBRD's Board of Directors, alongside its sister institutions, has adopted the harmonised definitions and the EBRD's Board is now poised to amend the policies of the Bank to reflect such an adoption.

Anti-corruption Report

In November of 2006, the EBRD published for the first time its now annual Anti-corruption Report (<http://www.ebrd.com/about/integrity/report.pdf>). The report sets out clearly the Bank's overall approach and strategy for tackling corruption and other illegal acts. Aside from the obvious merit of promoting transparency and understanding in respect of how the EBRD conducts its anti-corruption efforts, the Report can also have an important deterrent effect by signalling the Bank's determination to combat fraud and corruption both internally as concerns the standards it imposes on its staff, as well as the standards required of its external clients and partners.

Mutual Recognition of Enforcement Actions

In February of 2007, the EBRD's Executive Committee took the decision in accordance with paragraph 2.9(d) of the Bank's *Procurement Policies and Rules* ("PP&Rs") to cross-debar Lahmeyer International GmbH, a German engineering company (see: <http://www.ebrd.com/oppo/procure/guide/fraud.htm>). The EBRD's review of Lahmeyer followed an earlier debarment decision taken by the World Bank in November 2006, which itself was based largely on Lahmeyer's convictions for bribery in 2003 in Lesotho. The decision to cross-debar the company was the first of its kind within the international financial institution community. The decision renders Lahmeyer ineligible to be awarded an EBRD financed contract until the company implements a verifiable anti-corruption programme that meets the standards set by the EBRD. The decision is posted on the EBRD website.



Transparency

Public Information Policy

An important advancement since November 2005 in the area of transparency is the approval by the Board of Directors in May of 2006 of a new Public Information Policy ("PIP") (see: <http://www.ebrd.com/about/policies/pip/pip.pdf>). The new PIP introduces two additional categories of information that are subject to disclosure: General Institutional Information and Accountability and Governance. These two new categories supplement the existing categories of Project Related Information and Policies and Strategies. Additionally, the new PIP widens the scope of information to be made available to the public by publishing minutes of the Board of Directors Meetings (see: <http://www.ebrd.com/about/strategy/index.htm#board>), as well as enhancing public participation in the development of Country Strategies by posting those strategies for comment on the Bank's website. The PIP will also make Project Summary Documents available in the relevant official national language.

Remuneration

The accountability of the institution has been further enhanced by the publication in the annual Financial Report of the Bank of the salaries paid to members of the EBRD's Board of Directors and the senior management of the Bank (see: <http://www.ebrd.com/pubs/general/6710.pdf>). This advancement must also be seen within the context of the obligation under the new codes of conduct on such individuals to make an annual disclosure of their full financial interests.



I trust that it is evident from the above that much has been achieved since November 2005; yet more needs to be done. In the ensuing months, the EBRD will review and amend its Procurement Policies and Rules; adopt a sanctioning mechanism for its private sector operations; draft and implement an Anti-corruption policy, as well as putting into operation its financial disclosure programme. The Bank will of course continue to publish its Anti-Corruption Report.

I hope that the above information satisfies your request, but if you have any questions please ask your staff to contact either the Bank's Chief Compliance Officer (Ms. Enery Quinones on +44 207 338 7616) or her deputy (Mr. Lee Marler on +44 207 338 6237).

Yours sincerely,

A handwritten signature in cursive script, appearing to read 'Nemine'.

cc : Mark Sullivan, EBRD Director, United States of America