

INTEGRITY VICE PRESIDENCY

Annual Report

FISCAL 2011



The Integrity Vice Presidency (INT) is an independent unit within the World Bank Group that has the unique function of investigating and pursuing legal actions involving allegations of fraud and corruption related to Bank Group-financed activities. As an integral part of the Bank Group's overall Governance and Anti-corruption Agenda, INT serves a preventive function as well, working closely with other World Bank units and external stakeholders to mitigate risks through advice, training, and outreach efforts. Where the World Bank's own staff may be implicated in such misconduct, INT will similarly investigate and act in relation to those allegations. This is our third annual report as a Vice Presidency based on INT's new strategic framework, following the recommendations of a panel headed by Mr. Paul Volcker.

INTEGRITY VICE PRESIDENCY

Annual Report

FISCAL 2011



THE WORLD BANK GROUP

From the President of the World Bank



Robert B. Zoellick
President, World Bank

The World Bank Group's challenge is to overcome global poverty, and boost growth and opportunity. That challenge must go hand-in-hand with attacking fraud and corruption if we are to be effective and build sustainable change through good governance and institutions. The link between the two is strong: poverty invites fraud and corruption; but by distorting the rule of law, and weakening the institutional foundation on which economic growth depends—fraud and corruption undermine development and deepen poverty.

We have only started to make significant headway in fighting fraud and corruption in recent years. Economic uncertainty and political volatility make increasing—and even maintaining—these gains more difficult. Institutions of all sorts are being put to the test. Those that weather the storm will have strong internal mechanisms that exercise accountability and transparency at all levels.

The World Bank's Integrity Vice Presidency (INT) provides integrity and anti-corruption safeguards to ensure that Bank Group funds go toward promoting development and overcoming poverty. INT is an independent unit that reports directly to me. I personally read every Final Investigation Report that INT produces and every memo apprising me of its activities, because integrity is a key ingredient for a healthy World Bank Group.

This annual report covers the World Bank's extensive investigations, sanctions, referrals, preventive, and compliance work to stamp out corruption in development. It serves two very important purposes: highlighting the World Bank Group's progress in fighting corruption, so that success breeds more of the same; and honestly assessing where our challenges and shortcomings lie, so that we will strive each year to improve our record.

It is encouraging that we are gaining traction in areas that have previously limited the effectiveness of our anti-corruption work.

One such area is national referrals. We expect national authorities to give proper attention and consideration to the Bank Group's referrals of investigative information. Ideally, this should lead to their undertaking competent investigations, prosecutions, and adjudication within the country—but it often has not.

This July, however, the Norwegian National Authority for the Investigation and Prosecution of Economic and Environmental Crime (Økokrim) secured the conviction of three former employees of Norconsult in connection with a World Bank-financed project in Tanzania. These convictions followed a recent referral from the

World Bank, and reflect the wider relevance of the Bank's anti-corruption work. Just as important, it highlights Norway's commitment as a credible anti-corruption partner.

Similarly, a World Bank referral to the UK's Serious Fraud Office led to a High Court order in July that required Macmillan Publishers to pay more than £11 million for its unlawful conduct related to an education project in Southern Sudan. The decision shows how alternative legal constructs can be used in the fight against crime. The World Bank Group will continue to provide assistance to countries so that they can better follow up on referrals, including additional evidence or information, witness testimony, and training.

Another area where we are making headway is negotiated resolutions. Last year, I called for negotiated resolutions to become a systematized part of the World Bank Group's operating model, so that we can more quickly pursue delinquent corporations. We advanced this instrument in September 2010, with the support of our legal team and the sanctions structures. Three months later, INT entered into a negotiated resolution with the engineering firm Lotti; the terms of the settlement included a 27-month debarment and a \$350,000 restitution payment to the Government of Indonesia. Indonesia's Special Crime Unit then moved swiftly, charging an Italian consultant under the Criminal Corruption Law, and naming officials of the Public Works Department as further suspects. Thanks to the cooperative pressure that negotiated resolutions are able to create, a relatively straightforward case delivered quick, high-impact results, strengthening public confidence in the criminal justice system.

Corruption is a dirty business, and it will not sort itself out by politely and discreetly informing wrongdoers of their missteps. Instead, we need to instill a moral revulsion to corruption, both across geography and generations. The World Bank Group is willing to take the lead—but we cannot make real progress alone. Fortunately, we have fearless, resourceful, and outspoken partners in the International Corruption Hunters Alliance, which operates under the umbrella of the World Bank Group. In addition, we have formalized information sharing and parallel investigations through bilateral cooperation agreements with national-level anti-corruption authorities and 18 development agencies.

We are also continuing to take a firm stance on imposing sanctions for wrongdoing, as well as promoting prevention—the natural complement to tough sanctions. This year, the World Bank sanctioned 34 entities, and honored 37 cross-debarments together with other multilateral development banks. We have built preventative precautions into 48 high-risk projects; stopped a number of tainted contracts from being executed; and developed preventive and forensic auditing training for more than 2,700 government officials and Bank staff.

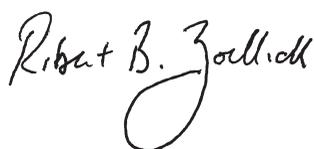
Through the Stolen Asset Recovery Initiative (StAR), a joint program with the UN Office of Drugs and Crime we launched in 2007, we are raising the cost of engaging in high-level corruption. Asset forfeiture units, financial intelligence centers, and tax authorities around the world need to focus on suspicious transactions in order to suppress the flow of corrupt money into the hands of kleptocrats. Technical assistance, capacity building, and the exchange of information among these entities are only the first steps. This year, the Bank Group has been working closely with North African countries and Swiss authorities through StAR.

Recovered funds and restitution payments cannot be repatriated to countries where weak institutions fail to manage funds properly. We need to develop tools that can collect and distribute restitution and other financial payments from firms found to have engaged in fraud or corruption. One option is the \$100 million Integrity Initiative, funded by Siemens as part of its negotiated resolution with the World Bank. Other tools may be useful for providing direct financing to upgrade integrity due diligence in small and medium enterprises.

It is more important than ever for both developed and developing countries to invigorate their regulatory, surveillance, and enforcement laws— and there has been real progress here. Britain's Bribery Act, passed in 2010, is one of the most aggressive approaches toward enforcing anti-bribery laws, especially with regard to the failure to prevent bribery. China's 2011 amendment to its laws, criminalizing the bribery of foreign government officials and employees of international public organizations, now brings it closer in line with multilateral conventions. In the Philippines, the pending adoption of comprehensive whistle-blowing legislation will go a long way toward helping transparency trump corruption.

We also need to synchronize international efforts. Cross-debarment among multilateral banks, effective as of last year, lays the groundwork for further harmonization. U. S. Senator Richard Lugar has publicly asked multilateral development banks (MDBs) to account for policies and practices regarding criminal prosecutions of those caught defrauding banks and accepting or giving bribes in their business dealings. Among international bodies, improving prosecution, witness protection, and capability to quantify money prevented from being lost to corruption, would go a long way to meeting this kind of vigor and consistency.

In conclusion, I want to thank the men and women who provide evidence and report credible information of fraud and corruption to INT, as well as the many courageous and diligent anti-corruption officials around the world with whom we work closely. The World Bank Group will always support those who stand up for good governance. We are proud to be your partners. Thank you for your dedication and integrity.

A handwritten signature in black ink that reads "Robert B. Zoellick". The signature is written in a cursive, flowing style with a large loop at the end of the last name.

Acknowledgements



Leonard McCarthy
Vice President for Integrity,
World Bank

As we were putting together this fiscal year's report, INT had the grave misfortune to lose our dear friend and dedicated colleague, Christian Kammer, in a mountain climbing accident. Christian joined INT ten years ago and had, for many, become synonymous with the department. Many of INT's most notable successes have been a direct result of Christian's unwavering focus, phenomenal work ethic, and forensic auditing expertise.

One of the outcomes highlighted in this report is a forensic auditing training program that Christian prepared and delivered to auditors, prosecutors, and anti-corruption officials. The training Christian provided allowed him to be at his best, drawing from his in-depth knowledge as a Senior Forensic Accountant and combining it with his natural ability to connect with people from anywhere in the world. Those he trained had an overwhelmingly positive response to their experience, and from the feedback I received, he was able to convey not only knowledge, but also instill a sense of confidence in those executing their duties. As Christian well knew, anti-corruption work is not for the faint of heart.

Christian was an equally committed athlete who ran marathons when he was too far from a mountain worth climbing. I see so many meaningful parallels between the passion Christian had for mountain climbing and his devotion to INT's mission, and I hope that all of us who have chosen to fight corruption will continue to be inspired by him. He will be greatly missed, but he has left a lasting legacy.

I would also like to acknowledge our partners, many of whom I thank every year at this time, but who do so much to support INT's work that it bears repeating. I thank the World Bank Group President for his clarion leadership on a subject that is critical to development. Mr. Paul Volcker has equally been a source of great wisdom over the last three years. I also wish to acknowledge the Bank Group's Senior Management for their guidance; the Dean and the Board of Executive Directors for their support, and the Audit Committee and Independent Advisory Board for their oversight and advice. In this regard, I also express my appreciation to the Sanctions Board and the Evaluation and Suspension Officers, who weigh and judge the merits of sanctions applications brought by INT.

We cannot do this job without public involvement. Those courageous enough to come forward with information about fraud and corruption or otherwise help the Bank in its preventive efforts therefore deserve special mention.

INT is only as good as the people who work here. As evidenced by the following pages, they have much to be proud of. I thank all our staff for their devotion to this calling.

A handwritten signature in black ink, appearing to read "L. McCarthy". The signature is fluid and cursive, with a long, sweeping tail on the final letter.

Contents

iii *From the President of the World Bank*

vi *Acknowledgements*

2 Executive Summary

9 **CREATING A BETTER GLOBAL RESPONSE**

9 Convening the Corruption Hunters

10 Expanding Networks

11 The Last Step: Robust Criminal Justice Systems

14 **MEETING THE DEMAND FOR STRONGER PREVENTIVE MEASURES**

16 Helping the World Bank Operate in High-Risk Areas

17 Cleaning up the Roads Sector

18 High-Level Global Threat Assessment

19 Providing Problem-Solving Training

20 Enriching a Bank Group-Wide Governance and Anti-Corruption Agenda

21 **CHALLENGES DRIVE INNOVATION**

21 Integrity Initiative Repays Society and Promotes Clean Markets

22 Outcomes from Lotti Case Lay Groundwork for Restitution and Multiple Negotiated Resolutions

23 Preventing Recidivism through Sanctions

24 Capitalizing on the Domino Effect with Cross-Debarment

25 Improved Voluntary Disclosure Program Offers Firms Better Incentives to Participate

25 **CASES**

25 Multiple Allegations Help Uncover Corruption Scheme

26 Fruits of Cooperation with Siemens

26 The “Wrong” Fridge

26 Project Implementation Unit Director Linked to Winning Bidder

27 Witness Safety is Paramount in Investigations

27 Challenges in Community-Driven Development Operations

28 **PROFILES FROM THE FIELD**

30 Facts and Figures

32 **INVESTIGATIVE DATA**

32 External Investigations

36 Internal Investigations

40 **BUDGET AND STAFFING**

41 **ENTITIES DEBARRED IN FY11**

44 **REFERRALS MADE TO GOVERNMENTS IN FY10–11**

48 **HOW TO REPORT A COMPLAINT**



Simone D. McCourtie / World Bank

EXECUTIVE SUMMARY

So long as fraud and corruption exist, the challenge of development will remain enormously complex and difficult.

In forms great and small, almost no other single action can consistently undermine a country's economic and social progress as much as corruption. For the World Bank Group's Integrity Vice Presidency (INT), replicating and enhancing successful ideas is crucial to maintaining an effective anti-corruption program. As in recent years, those successes INT has had in fiscal 2011 have benefited from partnerships at varying levels of government and society, and has coincided with demand from the Bank's client countries for anti-corruption support. >>

Building on initiatives from recent years, INT's noteworthy outcomes for FY11 are centered on the following key areas:

Striving to deliver results in core investigative and sanctioning work. INT closed 83 cases, managing a case load that stemmed from 460 allegations and complaints, of which 369 involved a Bank Group-supported activity. Allegations related to 97 countries and 367 projects. As a result of INT investigations, the World Bank debarred 32 individuals, firms, and non-governmental organizations, preventing them from participating in future Bank Group-financed projects for varying periods of time. Multilateral development banks have jointly recognized the debarments of 37 entities following the implementation of last year's cross-debarment agreement.

Meeting demand to support anti-corruption functions in the World Bank and in client countries. INT conducted 101 advisory engagements, the majority of which focused on working directly with task teams to strengthen project design and supervision. Thematic assessments of risks and lessons learned related to countries, sectors or particular lending instruments allowed the World Bank to continue its critical work in high-risk areas. More than 1,300 government officials and Bank staff were trained in conducting fraud and corruption risk assessments or detecting red flags in procurement. INT also provided substantive forensic auditing training to 290 prosecutors, auditors and anti-corruption officials in the Philippines, Indonesia, Thailand, and Jordan. Using the methodology and material provided, the Philippines Commission on Audit then trained an additional 1,100 of its staff.

Generating widespread impact through negotiated resolutions, compliance, and referrals. In FY11, the World Bank revised its sanctions procedures, enabling INT to formally resolve cases through settlements where appropriate. Consequently, INT has resolved 11 cases through negotiated resolutions. Italian engineering firm C. Lotti agreed to pay \$350,000 restitution to the Government of Indonesia after admitting to a fraudulent invoicing scheme in a World Bank-funded project in Indonesia. This marked the first time a negotiated resolution required a restitution payment. Seven additional firms related to the scheme also entered into negotiated resolution agreements with INT, resulting in debarments that totaled 16 years and signaling a stricter enforcement environment. INT's first negotiated resolution with a small, non-governmental organization likewise showed its enforcement efforts extend to all entities involved in development projects.

Formal sanctions procedures and adjudication by the Sanctions Board remain paramount; settlements complement the sanctions mechanism where appropriate.

As of the end of this year, the Bank's new Integrity Compliance Officer interacted with 33 firms and individuals whose sanctions by the Bank entailed a compliance condition, and engaged with eight of them on compliance programs they are putting in place to strengthen internal policies and controls that reduce the incidence of fraud and corruption. Earlier stage discussions are ongoing with approximately 10 more entities.

INT directed 40 investigative referrals to governments and anti-corruption agencies so that they can address possible violation of their laws. Referrals may also provide information about problems in project implementation that should be addressed. Gaining traction from national authorities to act upon referrals of information remains one of the most challenging aspects of INT's anti-corruption work. This fiscal year INT had promising results in countries where it had targeted its outreach and cooperation. Indonesia arrested three individuals—including two public officials—and conducted an audit of the related project, while in Ethiopia, quick follow-through on a referral prevented \$7 million worth of contracts from being awarded to companies potentially engaging in wrongful conduct.

Working towards a more coordinated, global fight against corruption. In FY11, INT, with the support of the governments of Australia, Denmark, and Norway, launched the International Corruption Hunters Alliance in Washington, DC, bringing together for the first time 286 high-level prosecution and enforcement officials from 134 countries. In addition, INT sponsored the Declaration of Principles for Effective Global Enforcement to Counter Corruption, entered into cooperation agreements with 11 development organizations and governments to formalize information sharing and parallel investigations, and is participating in the development of the G-20 action plan aimed at bolstering country-level accountability and anti-corruption agencies. Through these initiatives the World Bank and INT seek to influence global anti-corruption policy and implementation efforts.

INT's present and future impact hinges upon the outcomes of its investigations and to what degree debarments deter other companies from engaging in misconduct; the extent to which its preventive and capacity building efforts take root; and the extent to which national authorities and other partners in the international community are able to fully exercise legal mechanisms to fight fraud and corruption.

INT continues to have the most cases in the **transport**, **water**, and **health, nutrition, and population** sectors.



| SECTOR | FY09 | FY10 | FY11 |
|---|------------|------------|-----------|
| Agricultural and Rural | 10 | 23 | 7 |
| Economic Policy | 1 | 0 | 0 |
| Education | 13 | 24 | 0 |
| Energy & Mining | 8 | 11 | 3 |
| Environment | 8 | 4 | 2 |
| Financial and Private Sector Development | 3 | 9 | 6 |
| Global Information/ Communications Technology | 2 | 1 | 0 |
| Health, Nutrition and Population | 30 | 26 | 10 |
| No Sector | 5 | 10 | 3 |
| Public Sector Governance | 10 | 7 | 8 |
| Social Development | 0 | 8 | 1 |
| Social Protection | 4 | 5 | 2 |
| Transport | 27 | 38 | 14 |
| Urban Development | 5 | 10 | 5 |
| Water | 12 | 18 | 12 |
| TOTAL | 138 | 194 | 73 |

➤ INT has refined its selection process for matters proceeding to full investigation, and has devoted more resources to preliminary screening and prioritization of allegations. Increased selectivity led to fewer cases being opened in FY11, but a 36% increase in the number of cases being substantiated.

➤ To better disseminate lessons learned, INT's practice-based analysis, *Curbing Fraud, Corruption and Collusion in the Roads Sector*, is being shared with contractor associations, transport ministries and road authorities, civil society organizations, and bilateral and multilateral development partners.

➤ The World Bank's health, nutrition and population portfolio is at a historic high of \$10.8 billion, making it all the more important for integrity to be cemented in the sector.

The consistent focus of INT's investigations and preventive efforts on the transport, water, health, nutrition and social protection sectors has informed the design and oversight of the Bank-financed operations in these sectors to better identify and prevent integrity risks and enhance development outcomes. Governance and Anti-Corruption Plans have been incorporated into the higher-risk projects that are in these sectors and have been approved in the past three years.

INT's information on integrity risks in particular projects and sectors also helped the Bank diagnose governance weaknesses and capacity limitations in relevant sector institutions and policies, leading to a consensus with country counterparts on strengthening measures.

INT opened the most cases in *Africa* and *South Asia* in FY11.



FY11
29% AFRICA

FY11
23% SOUTH ASIA

FY11
16% EUROPE AND CENTRAL ASIA

FY11
14% LATIN AMERICA AND CARIBBEAN

FY11
11% EAST ASIA AND PACIFIC

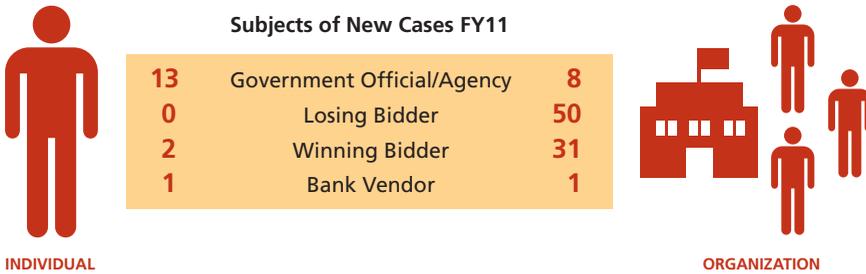
FY11
7% MIDDLE EAST AND NORTH AFRICA

| REGION | FY07 | FY08 | FY09 | FY10 | FY11 |
|----------------------------|------------|------------|------------|------------|-----------|
| Africa | 33 | 31 | 36 | 58 | 21 |
| East Asia & Pacific | 37 | 29 | 23 | 27 | 8 |
| Europe & Central Asia | 18 | 15 | 28 | 30 | 12 |
| Latin America & Caribbean | 7 | 10 | 10 | 25 | 10 |
| Middle East & North Africa | 87 | 10 | 7 | 18 | 5 |
| South Asia | 14 | 57 | 34 | 36 | 17 |
| TOTAL | 116 | 152 | 138 | 194 | 73 |

➤ The World Bank and its partners have jointly recognized the debarments of 37 entities following the implementation of last year's cross-debarment agreement, generating reciprocal impact across regions.

➤ The number of cases INT opens in a region does not correlate with greater fraud and corruption risks. Rather the statistic indicates where allegations have been reported, which in turn often reflects where INT has been most active over the years.

In FY11, new cases most frequently involved Government Officials or Bidders.



Subject of a New Case is an Individual

| | FY09 | FY10 | FY11 |
|---|-----------|-----------|-----------|
| Bank Vendor | | | 1 |
| Contractor | 1 | 2 | 1 |
| Director Level/CEO | 2 | 3 | |
| Government Official* | 26 | 33 | 13 |
| Joint Venture Partner | | 1 | |
| Losing Bidder | 4 | | |
| Other | 11 | 16 | 6 |
| Project Consultants (Hired by Borrower) | | 1 | 31 |
| World Bank Staff | | 5 | |
| Winning Bidder | 1 | 3 | 2 |
| Grand Total | 45 | 64 | 54 |

**Although the World Bank cannot sanction government officials, when evidence of misconduct surfaces, the World Bank refers such information to the relevant governments to take action. (The Bank also seeks the removal of such officials from its projects.)*

➤ Through continued outreach and the Bank’s revamped Voluntary Disclosure Program, INT targets key audiences to increase understanding of the World Bank’s anti-corruption policies and the ramifications of misconduct. INT focused its outreach and capacity-building activities on country counterparts in government agencies and project implementation units, contractor associations, anti-corruption bodies, audit institutions and civil society organizations in the more vulnerable sectors.

Subject of a New Case is an Organization

| | FY09 | FY10 | FY11 |
|----------------------------------|------------|------------|------------|
| Bank Vendor | 2 | | 1 |
| Government Agency | 13 | 10 | 8 |
| Joint Venture Partner/Contractor | 18 | 14 | 7 |
| Losing Bidder | 20 | 32 | 50 |
| NGO/Civil Society | 1 | 3 | |
| Other | 14 | 31 | 7 |
| Project Implementation Unit | 25 | 50 | 12 |
| Winning Bidder | 52 | 48 | 31 |
| Grand Total | 145 | 188 | 123 |

Creating a Better Global Response

Convening the Corruption Hunters

Corruption is one of the most pressing priorities in development now. Globalization has allowed corruption to become more transnational in nature, requiring an equally international and concerted response from those who fight it. In December 2010, the World Bank launched the first meeting of the International Corruption Hunters Alliance in Washington, DC with the financial support of the governments of Australia, Denmark, and Norway. With 286 high-level prosecution and enforcement officials from 134 countries, the event was the culmination of regional-level meetings INT had held during the previous two years.

Participants committed to stronger enforcement of anti-corruption laws, more perseverance in prosecuting transnational bribery, improved information sharing, and more rigorous measures for evaluating their own efficacy. Many members struggle to pursue corruption with little or no political buffer for their efforts, making the moral support from colleagues in attendance a welcome byproduct of the meeting. Another important outcome was the development of guidelines for measuring the performance and efficacy of anti-corruption authorities. Adhering to the standards set forth in the guidelines can help to maintain the credibility and status of the authorities. The Alliance continues to serve as a conduit for relaying investigative information as well as a platform for addressing macro-level anti-corruption issues, and will reconvene on a biennial basis.



Ryan Rayburn / World Bank

“The aim is more capable governments: governments that can get things done and that prosecute those who take bribes. And they must be accountable, forced to explain what they do and why.”

— Søren Pind, the Minister for Development Cooperation of Denmark, speaking at the International Corruption Hunters Alliance meeting

“I know that investigators and prosecutors are never the most popular people within an organization, but I also think they are among the most necessary people if respect and confidence for the organization is going to be maintained.”

— Paul Volcker, message to the International Corruption Hunters Alliance

Expanding Networks

The resolutions emanating from the International Corruption Hunters Alliance meeting served as a catalyst for the establishment and expansion of other networks. The structure of the alliance lends itself to building a supplemental network of preventive units currently housed in anti-corruption agencies, an initiative that could gather momentum in the new fiscal year.

In addition, in FY11, INT entered into cooperation agreements with 11 development organizations and national-level anti-corruption agencies to formalize information sharing and parallel investigations, bringing the total number of such agreements to 16. Not only have these agreements inspired additional entities to sign on, they have already demonstrated their value by facilitating a number of INT investigations in countries such as the United Kingdom, South Korea, Mongolia, and South Sudan. Following the signing of a cooperation agreement with the Global Fund on November 16, 2010, a health audit conducted by the Global Fund provided INT with useful leads to examine the Bank's health portfolio in Africa.

Similarly, the Declaration of Principles for Effective Global Enforcement to Counter Corruption, announced at the World Bank during its 2011 Spring Meetings, encourages reciprocal disclosure of information, punctual reporting mechanisms for suspicious transactions, and investigative assistance in support of ongoing cases. (See <http://go.worldbank.org/EBVTC8YID0>)

By hosting the 12th Conference of International Investigators, the World Bank contributed to the sustainability of a longstanding network that has played an integral role in ensuring accountability in multilateral development banks and international organizations. Investigators from 31 organizations learned how to leverage new research technology, benefit from knowledge on compliance monitoring in the private sector, and how forensic auditing can best complement investigative work. INT also hosted a delegation of judges from German courts to analyze international sanctions and its evolution in the context of transnational rule of law.

The World Bank encourages other international stakeholders to harmonize their anti-corruption efforts with those best practices already in place. It has recommended that the G20's Working Group on Anti-Corruption should support the creation of independent integrity offices in national jurisdictions. As do the existing integrity offices, these new offices would join an expanding network that improves the investigation and prosecution of fraud and corruption cases.

With a well-developed "network of networks," INT is in a better position to take on more resource-intensive and tactically demanding challenges. The World Bank has a vested interest in tracking the money that is diverted from development into safe havens for the corrupt. Tracking tainted money across borders facilitates asset forfeiture, a tactic that is widely recognized as one of the most effective means to disable corrupt power structures. However, little progress can be made without true commitment and pressure from the international community. Fragile states pose another challenge with their volatile environments that make it extremely difficult for integrity and rule of law to take root.

The Last Step: Robust Criminal Justice Systems

INT makes referrals to national authorities of its investigative findings or when it determines that national laws may have been broken. Actions by national authorities in follow-up to referrals are critical to ensuring that justice is served and those who have been victimized by fraud and corruption are recompensed. These actions range from the investigation, prosecution and conviction of individuals and entities whose involvement in defrauding or corrupting Bank projects violated national criminal law, to civil suits to recover assets and the proceeds of crime, to administrative measures barring firms from competing for government contracts and proceedings suspending or terminating individuals from public service employment.

However, despite a number of successes, the hoped-for vigorous global response from national authorities has not been consistent. Meaningful impact has been hampered by criminal justice systems that do not always function optimally; prescriptive provisions in criminal codes that from time to time prevent prosecutions; and the occasion-

Memoranda of Understanding Signed with INT

Australian Agency for International Development

Central Bureau of Investigations, India

European Partners Against Corruption

International Anti-corruption Academy, Office of the Prosecutor of the International Criminal Court, Interpol

Independent Authority Against Corruption, Mongolia

The Indonesian Corruption Eradication Commission (KPK)

The European Anti-Fraud Office (OLAF)

Serious Fraud Office, UK

Office of the Special Inspector General for Afghanistan Reconstruction

The Southern Sudan Anti-Corruption Commission

Office of the National Anti-Corruption Commission, Thailand

Office of the Inspector General of the Global Fund to Fight AIDS, Tuberculosis and Malaria

Inspectorate of Government of The Republic of Uganda

Office of Audit and Investigations of the United Nations Development Programme

Office of the General Counsel of the United States Agency for International Development

Republic of Korea Supreme Prosecutors' Office



Ryan Rayburn / World Bank

World Bank President Robert Zoellick and Luis Moreno-Ocampo, Prosecutor of the International Criminal Court, at the High-Level Dialogue on Effective Global Enforcement to Counter Corruption. Other Participants included Richard Alderman, Director, Serious Fraud Office (UK); Boon Hui Khoo, President, INTERPOL; Giovanni Kessler, Director-General, European Anti-Fraud Office (OLAF); Kevin Perkins, Asst. Director, Criminal Investigation Division, FBI (US); and Benjamin Zymler, Minister, Court of Audit (Brazil). April 13, 2011.

al failure of authorities to interrogate key fact patterns. Thus, INT is keen to engage with authorities about why they have not pursued certain cases, so that the Bank can better support any steps that address gaps in capacity, resources or legal frameworks.

Such engagements can lead to concrete improvements in the referral process. For example, in response to one referral, Canadian authorities informed INT that the limitations imposed by the Bank on the use of the referral report would prevent them from taking action, since under Canadian law the origin of the investigation and the underlying complaint may be subject to disclosure. In the subsequent referral made by INT, the limiting language was revised, allowing the Canadians to take prompt action. The Bank is now revising the limitations and confidentiality language so that referral reports can be used more effectively by recipients faced with similar restrictions. Similarly, the Bank will need to examine how the higher standard of proof often required for criminal prosecution is hampering countries' ability to act on referrals.

On the practical side, the landscape is uneven.
(See page 44 for the status of referrals made to national authorities in FY10–11.)

As reported last year, the Kenya Anti-Corruption Commission finalized 25 criminal investigations, which has since led to prosecutions being brought against 18 officials on charges of false accounting, fraudulent acquisition, and forgery. The court system, however, is clogged, which has led to delays. What successes Kenya has had in prosecuting fraud and corruption, indicate that more can still be done. The World Bank is willing to support Kenyan authorities in these efforts, through deeper cooperation around parallel investigations and investment in their prosecuting authority, subject to purposeful action and a rapid response to strengthening integrity in World Bank projects.

Having reviewed the evidence made available by the World Bank, the General Prosecutor of Albania reported that, based on certain prescriptive provisions of the country's criminal code, she would be unable to bring a prosecution in a case that derived from a World Bank referral.

Whilst the World Bank has had good experiences with India's Central Bureau of Investigation, in a number of cases referred to authorities in India, the Bank is eagerly awaiting the outcomes of the prosecution process.

China expressed its opinion on the sanctions imposed by the World Bank on several Chinese state-owned enterprises participating in the Philippines National Road Improvement Program (NRIMP), and closed the related cases without further criminal investigation. Since then, China amended its laws in 2011 to criminalize bribery of foreign public officials.

GLOBAL SUCCESS STORIES



INTEGRITY WORKS IN

Yemen

Following a US Department of Justice investigation, the Supreme National Authority for Combating Corruption opened its own investigation into a corruption scheme in the telecommunications industry. Nearly \$1.2 million in bribes were paid to high-ranking officials at TeleYemen, the Yemeni state-owned telecommunications company, and Ministry of Telecommunications.

In FY11, INT made a referral to Ethiopia based on a complaint that a government official had demanded that bidders pay bribes or face exclusion from two Bank-financed tenders. INT contacted the complainant, obtained supporting information, and made a referral to the country's anti-corruption unit. Based on this, the Ethiopian authorities undertook a criminal investigation that led to the arrest and prosecution of the suspect. The investigation uncovered further information implicating other entities.

The World Bank also referred four important cases to Bangladesh, where the government expressed an interest in conducting criminal investigations. The Bank will monitor the actions by the Bangladeshi authorities, where criminal proceedings against wrongdoers are warranted.

Against this background, in the past two years, INT has intensified efforts to ensure that referral recipients conduct thorough reviews of the information provided by the World Bank. Twenty-five national authorities are currently conducting investigations or prosecutions based on World Bank referrals. Yet more will have to be done, in what remains a challenging area for the Bank.

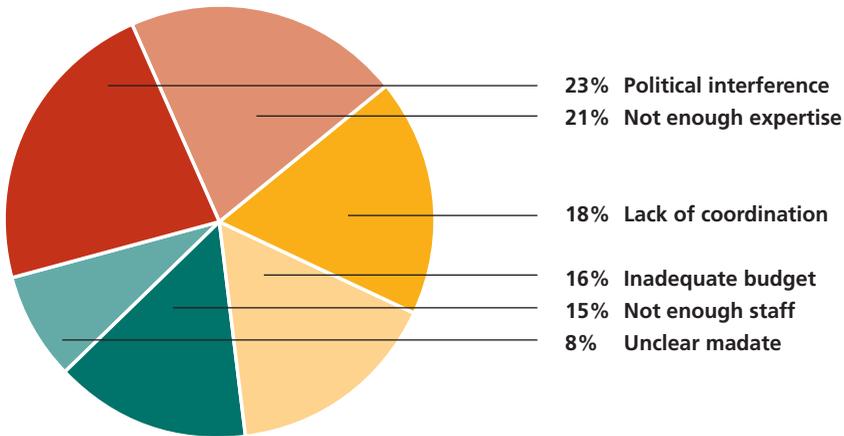
Building on this objective, the World Bank's recently created International Corruption Hunters' Alliance unites gate-keepers of the law and acts as a conduit for advancing prosecutions. In similar vein, the World Bank continues to work with counterparts such as the United Nations Development Programme (UNDP), the European Anti-Fraud Office (OLAF), and the Organisation for Economic Cooperation and Development (OECD), and Working Group on Bribery in International Business Transactions, to take the initiative to the next level.

Meeting the Demand for Stronger Preventive Measures

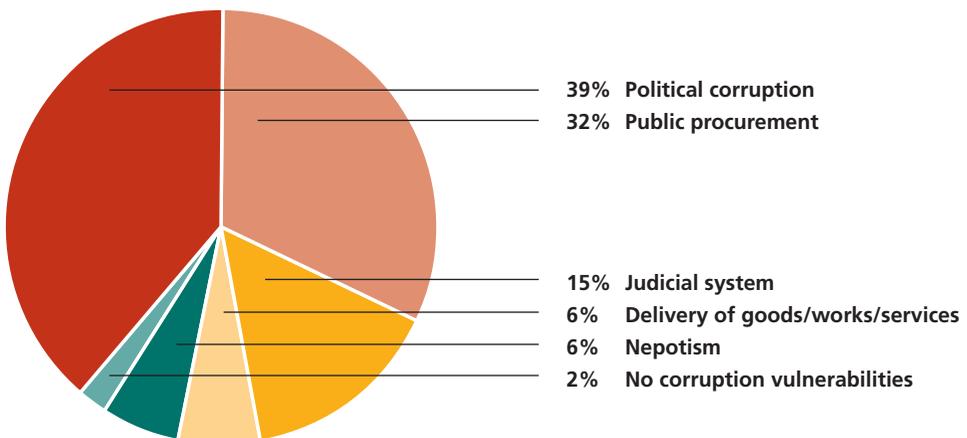
The World Bank Group has pushed integrity to the forefront of its development agenda; at the same time, the demand from clients wanting help in their own efforts to counter fraud and corruption continues to grow. The Bank Group's governance and anti-corruption strategy now fully permeates its operations and policies. To meet growing demand for anti-corruption support, in FY11 INT conducted assessments of integrity risks in key sectors and countries, substantially increased the number of advisory engagements it provided to teams working on Bank Group-financed activities, and further expanded its training programs. These preventive measures address the need for greater capacity in client countries as well as reduce the risks associated with funding projects in certain areas.

Survey of the International Corruption Hunters Alliance regarding challenges of fighting corruption in their countries

In your opinion, what is the main challenge to the effectiveness of your institution?



Regarding the corruption risks in your country, where do you see the most significant vulnerabilities?

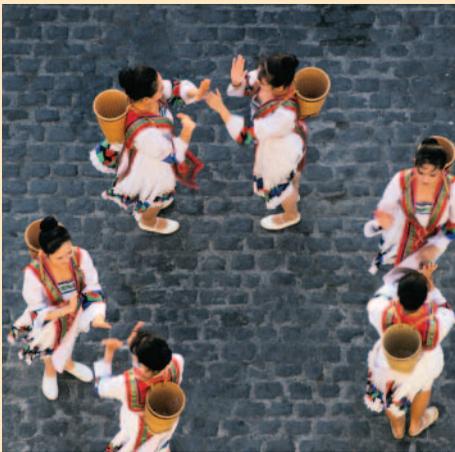


Helping the World Bank Operate in High-Risk Areas

INT built precautions into 48 high-risk operations across 29 countries with a total commitment amount of \$14.1 billion. These are operations that were identified by regional Bank colleagues as higher-risk or where INT believes fraud and corruption could have a material impact on the project trust funds or the reputation of the World Bank. The information was obtained through complaints, investigations, other international financial institutions (IFIs) or law enforcement agencies, the Bank's Voluntary Disclosure Program (VDP), open sources, or referrals within the Bank Group. The range of preventive measures recommended include technical audits to avoid substandard quality; inserting representation and warranty clauses into certain contracts; the posting of hotline phone numbers in front of buildings to allow concerned citizens to file complaints; mapping of individuals with access to procurement information; and asset and income disclosure for project implementation unit (PIU) officials handling Bank funds.

Early preventive action with INT's support in certain instances has also enabled the Bank's regional management and borrowers to stop tainted contracts before they were awarded. In one case, the consultant company suspected of falsifying CVs retracted its bid valued at \$4.4 million. In another case, serious issues identified by INT led government officials to reject the award of a \$5 million contract, while in other cases bidders lost their prequalification status. The Company Risk Profile Database (CRPD), which contains the names of companies currently under investigation and is restricted to use by Bank staff, was searched 7,275 times (with a hit-rate of approximately 3.5%) as part of

GLOBAL SUCCESS STORIES



INTEGRITY WORKS IN

Thailand

The National Anti-Corruption Commission is investigating allegations that a government official received more than \$1.7 million in exchange for awarding multiple contracts for the Bangkok International Film Festival. Benefiting from assistance from the US Federal Bureau of Investigations, the case demonstrates effective international cooperation.

routine due diligence. As a consequence, the borrower in one instance conducted additional checks that led one company to retract its \$0.5 million bid, while in another the Bank, upon further due diligence, did not issue its no-objection to the pre-qualification of a company on a \$16.1million contract.

During the year, INT extended critical support with integrity due diligence for private sector transactions involving IFC, MIGA, and IBRD guarantees primarily in the Africa region. This work formed an important part of institutional risk management and impacted decisions taken in individual cases. Drawing from these experiences, INT engaged with Bank Group counterparts on ways to mainstream the process and when it is appropriate for INT to perform due diligence going forward.

Cleaning up the Roads Sector

Development in the roads sector is at risk of fraud, corruption, and collusion. These problems affect both developed and developing countries, though the impact on the poor is greater. The Bank continues to allocate significant funding to the transport sector (\$8.6 billion in FY11), necessitating a greater understanding of how to address the problem. INT's report, *Curbing Fraud, Corruption and Collusion in the Roads Sector*, examines measures adopted by different countries to reduce collusion, fraud, and corruption during contract execution, and suggests how they can be adapted to the needs of individual client countries.

It posits that some policy-level measures are universally applicable regardless of the country context, including laws penalizing bid rigging, market division, and other forms of collusive behavior. The commitment and capacity to enforce these measures contributes to their ultimate success. Market conditions and other country-specific circumstances and risks dictate what other possible measures may be used. For example, short-term transitional measures, like an independent procurement evaluator or technical auditor, may be the best solution in particularly high-risk environments. In situations where corruption and collusion are particularly ingrained, other less conventional, but possibly effective, measures include the use of bid ceilings, competitive negotiations, or even turning procurement over to an independent agent. The report also emphasizes the importance of the consulting engineer as one of the key guardians of contract integrity. It therefore recommends a number of measures to strengthen the engineer's role that could be implemented by both the Bank and its borrowers.

Recognizing that conditions across client countries differ significantly, and that what works in one country may not in another, the report aims to spur a dialogue among relevant stakeholders on how to improve the way the World Bank and its clients do business in the road sector. INT, in partnership with transport and procurement colleagues, is engaging in discussions of the report with stakeholders inside and outside the Bank, including contractor associations,



Ryan Rayburn / World Bank

Staff from Thailand's Auditor General Office and the National Anti-Corruption Commission receive certificates for having completed an intensive three-day course in forensic auditing given by INT.

transport ministries and road authorities, civil society organizations, and bilateral and multilateral development partners.

To supplement the work done in the roads review, INT is collaborating with the private sector to strengthen the integrity and quality of technical supervision consultants via the Construction Sector Transparency Initiative (CoST), which is an international multi-stakeholder initiative supported by the UK Department for International Development (DFID) and the World Bank. By ensuring public disclosure of project information, CoST aims to enhance the accountability of procuring bodies and construction companies for the cost and quality of public-sector construction projects.

A road sector Detailed Implementation Report (DIR) will evaluate the effectiveness of mitigation measures applied in Work Bank-financed projects.

High-Level Global Threat Assessment

In his 2002 review of INT, former U.S. Attorney General Richard Thornburgh advocated the use of a strategic "risk management" plan to better address those situations that present the most significant risk of misappropria-

tion of Bank funds. He predicated this on an ongoing assessment of contracts, projects, regions, and countries that might be particularly susceptible to fraud and corruption. Drawing upon this notion, INT, along with the International Criminal Court, the UK Serious Fraud Office and the European Anti-Fraud Office (OLAF), will develop a threat assessment that covers those areas of mutual interest. Undertaking a joint assessment guarantees that each organization's business analysis feeds into a more informed picture of what is publicly known about the interconnection between governance and corruption threats. As a result, the above-mentioned institutions will be able to coordinate their anti-corruption efforts with the added perspective of what is happening in organized crime, and how it hinders development.

Providing Problem-Solving Training

INT conducts investigations and provides preventive advice and training for the benefit of the World Bank's client countries. To increase the efficiency and impact of its work, INT has expanded its efforts to build awareness and capacity in the anti-corruption institutions of client countries, as well as among World Bank staff.

In FY11, INT piloted a training program to strengthen national capacity in forensic auditing. Forensic auditing is an essential component to many investigations, and allows fraud and corruption to be identified, quantified, and evidenced for judicial proceedings. The training program initially reached 290 auditors, prosecutors, and anti-corruption officials in the Philippines, Indonesia, Thailand (see photo), and Jordan. Using the methodology and material provided, the Philippines Commission on Audit then trained an additional 1,100 of its staff, substantially boosting the impact of a single training session and serving as a model for other countries. INT's forensic auditors also deliver hands-on training, working alongside staff in supreme auditing institutions on joint audits, a model with which INT has successfully piloted and expanded in the Africa region.

An additional 1,317 Bank staff and government officials were trained in how to detect and prevent fraud and corruption. The breadth of available information INT has at its disposal allowed it to respond to a variety of client needs: disseminating lessons learned from forensic work of Community-Driven Development (CDD) operations in Kenya; hosting a workshop on the preliminary results of a study of integrity risks in conditional cash transfers in Latin America; and training local civil society and project implementation unit officials in Georgia and Kosovo on how to conduct due diligence on bidders, an exercise that helps reduce the numerous fraudulent bids routinely detected by INT.

FY11 also saw the launch of an Integrity Clinic Series for senior Bank staff in operations and procurement. The clinics focus on interactive exercises which use case studies that are based on real-life situations in the transport and health sectors.

Enriching a Bank Group-Wide Governance and Anti-corruption Agenda

INT's work in FY11 forms an essential component of the Bank Group's overall Governance and Anti-corruption (GAC) efforts. Positive results achieved through INT's investigative and sanctions activities helped safeguard development projects from corruption risks, deter future malfeasance, and build capacity of national enforcement and anti-corruption authorities through parallel investigations. The post-Volcker expansion of INT's preventive work, including its partnership with the Poverty Reduction and Economic Management (PREM) network and Operations Policy and Country Services (OPCS) in supporting the work of the GAC Council, enabled INT to enhance GAC implementation at the country, sector and project levels, sensitize policy and strategy functionaries to GAC challenges, and help ensure that GAC forms an integral part of the Bank's operational framework.

The Stolen Asset Recovery Program (StAR) is a partnership between the World Bank and the United Nations Office on Drugs and Crime (UNODC). Together, the organizations work with developing countries and financial centers to prevent the laundering of the proceeds of corruption and to facilitate a more systematic and timely return of stolen assets. Under a restructured StAR program, INT supports the oversight of StAR operations led by the Bank's Vice Presidents for Financial and Private Sector Development (FPD) and PREM. INT investigators have participated in various StAR missions to Switzerland, Tunisia, the United Kingdom, and Peru in the World Bank's drive to suppress the flow of corrupt monies and to ensure kleptocrats will no longer be allowed to enjoy the proceeds of crime.

The idea that more needs to be done to compensate the actual victims of fraud and corruption continues to evolve. The Bank Group's sanctions system provides for restitution and other financial remedies, which was the premise for two settlements that included some sort of restitution payment as a condition. These agreements test how compensation can work in practice, but are only a first step in exploring other possibilities. An anti-corruption fund can, among other things, provide a vehicle for governments concerned about returning money to countries with a poor governance track record. The idea of such a fund raises a number of complex questions, including how to structure the facility and how payments will be determined. The World Bank continues to deliberate with its partners on how best to pursue this avenue, as part of an umbrella effort to support development in more innovative ways.

While much progress has been achieved, more can be done to address recurrent issues. INT continues to work with colleagues in the Procurement Policy and Services Group (OPCPR) on policy initiatives launched this year, including stricter integrity clauses in the bidding documents which will enable the Bank to exercise more discretion when dealing with high risk bidders who are not on its debarment list. Similarly, INT is working with other parts of the

Bank on the complex question of when and how it is appropriate to withdraw from situations of deteriorating governance that would ultimately undermine the development objectives supported by the Bank. To generate more useable complaints, INT is developing an action plan to systematically integrate its complaints hotline information into the World Bank's communications with client countries and potential bidders. Similarly, it has also initiated discussions with private sector associations and anti-corruption authorities in several countries who had expressed support for publicizing INT's hotline information in their own complaint mechanisms where appropriate.

Challenges Drive Innovation

Integrity Initiative Repays Society and Promotes Clean Markets

Flowing from the World Bank-Siemens AG comprehensive settlement of July 2, 2009, Siemens AG agreed to set aside \$100 million for an integrity initiative to promote clean markets. On December 9, 2010, Siemens announced the first anti-corruption projects which would receive financing under this initiative. The World Bank believes it is an important step since promoting integrity and fair competition worldwide is key to advancing clean business. The Bank also believes that financial assistance is important in promoting clean markets since it strengthens the will and ability to combat corruption worldwide.

GLOBAL SUCCESS STORIES



INTEGRITY WORKS IN

Sierra Leone

Under the country's newly revised Anti-Corruption Act, the Anti-Corruption Commission has been able to recover the equivalent of \$1.2 million in stolen assets and to oversee the conviction of two government ministers.

An initial tranche of \$40 million will be distributed to more than 30 initiatives from over 20 countries that have been selected. Around 300 nonprofit organizations from 66 countries had applied for funding during the first round.

Siemens maintains the discretion to determine the recipients of the fund. Among the projects selected by Siemens included one that assists the Brazilian organization, Instituto Ethos, in ensuring the transparent award of the infrastructure contracts for the Football World Cup 2014 and the Olympic Games 2016 in Brazil. In Europe, the newly founded International Anti-Corruption Academy is receiving funding for research and teaching. This Vienna-based international organization was set up to train anti-corruption experts from all over the world.

Other initiatives will be supported in the following countries: Angola, Brazil, China, Egypt, Hungary, India, Indonesia, Italy, Mexico, Nigeria, the Philippines, Russia, the Slovak Republic, South Africa, the Czech Republic, the U.S., Vietnam and various Middle Eastern states. The selections were made with a view to achieving a balance with respect to the topics and the regional distribution of the funds.

As part of the settlement agreement, the World Bank has audit rights over the use of the funds and veto rights over the selection by Siemens of anti-corruption groups or programs receiving funds.

Outcomes from Lotti Case Lay Groundwork for Restitution and Multiple Negotiated Resolutions

The outcomes of an INT investigation of the Italian engineering firm, Lotti, epitomize how the World Bank is trying to implement innovative ideas to fight fraud and corruption efficiently and with maximum impact. It also demonstrates the value of partnerships with national authorities and capacity-building for achieving greater results.

Lotti was found to have engaged in multiple incidents of fraud in relation to a contract that it was executing under a World Bank financed public works project in Indonesia. Lotti indicated its interest in resolving the issues identified through a negotiated settlement, and the company voluntarily refrained from participating in World Bank-financed projects in September 2010. A Negotiated Resolution Agreement (NRA) was reached with Lotti in December 2010. The Bank sanctioned Lotti for 27 months for its admitted misconduct on the project. As part of the settlement, Lotti agreed to pay \$350,000 in restitution, an amount based on INT estimates derived from information available at the time of the audit. As of June 2011, Lotti has paid the full \$350,000 to the Treasury of the Ministry of Finance of Indonesia. Lotti's restitution payment to the Government of Indonesia is the first of its kind.

Faced with the potential consequences, most of Lotti's JV partners also indicated an interest in pursuing negotiated resolutions. Agreements were reached with six of the JV partners in April 2011. The six settlements were identical in that each firm received a sanction of 27 months and had to comply with further cooperation and disclosure requirements, in addition to implementing a corporate compliance program.

Based on INT's referral of its findings, the Indonesian authorities announced the arrest of the former head of Lotti's office in Indonesia and the filing of a corruption court case against him; two government officials have also been named as suspects in the case. The authorities are now searching for another former Lotti employee. The outcomes of this case are unprecedented; the seven negotiated resolutions resulted in debarments totaling almost 16 years. In addition, the sanctions are subject to cross-debarment by partner MDBs.

Preventing Recidivism through Sanctions

The World Bank Group's sanctions system now prescribes that debarred parties must meet certain integrity compliance conditions before they can once again participate in Bank Group-financed activities. Debarment with conditional release has become the default sanction for cases initiated under the Bank Group's revised Sanctions Procedures as of September 2010. There are now a total of 42 sanctions (including one conditional non-debarment and one "reprimand" with

GLOBAL SUCCESS STORIES



INTEGRITY WORKS IN THE

Phillipines

An internal audit unearthed a scheme in which ten officials from a regional Rural Credit Guarantee Corporation siphoned off 17 million Philippine pesos by creating fictitious borrowers. Following the audit, the organization strengthened its controls and the National Bureau of Investigation ensured the responsible officials faced charges of graft and falsification of documents.

a compliance condition) that incorporate a condition requiring the adoption and implementation of a satisfactory integrity compliance program. These conditions encourage debarred parties to focus on rehabilitating their business practices and should ultimately make them better partners for developing countries and international finance institutions.

Capitalizing on the Domino Effect with Cross-Debarment

On April 9, 2010, the World Bank announced it had signed a landmark agreement with four other major multilateral development banks (MDBs): the African Development Bank, the Asian Development Bank, the European Bank for Reconstruction and Development, and the Inter-American Development Bank. Known as cross-debarment, the agreement stipulates that entities debarred by one signatory will be sanctioned for the same time period by the other participating MDBs. In FY11, the benefits of having such an agreement became readily apparent. The World Bank debarred 32 entities in FY11 as a result of its own investigations, and honored 16 sanctions imposed by the Asian Development Bank. Cross-debarment has the unique effect of uniting international financial institutions around one common enforcement objective, setting a tone for corporate probity, and shrinking the space in which those who want to commit crimes can. Since cross-debarment went into effect, INT has dealt with firms that, when faced with the widespread impact of the mechanism, cooperate more fully with investigations in the hopes of receiving a shorter period of debarment. (See <http://crossdebarment.org>)

GLOBAL SUCCESS STORIES



INTEGRITY WORKS IN

Costa Rica

The credibility and effectiveness of Costa Rica's legal system was cemented in 2009 when its former President was sentenced to five years for embezzling funds from the social security system. Seven others were also sentenced for accepting kickbacks.

Improved Voluntary Disclosure Program Offers Firms Better Incentives to Participate

INT operates a Voluntary Disclosure Program (VDP) on behalf of the Bank Group as a means to better engage the private sector in its anti-corruption efforts. Firms that have committed fraud or corruption agree to undertake internal investigations, disclose their misconduct to INT, and implement suitable compliance programs. As an incentive to participate, firms' identity remains confidential, they avoid the reputational damage of public debarment, and may continue to compete for Bank-financed projects.

Changes to the VDP this past year make it more streamlined and efficient, and therefore less costly and onerous for participants. The changes also clarify the Bank's expectations from participants and bring forward their implementation of a monitored compliance program to help ensure good behavior on World Bank Group projects going forward. The key benefit for INT is that investigators are provided with quicker access to more up-to-date information. INT has also sought to make the program more attractive to smaller companies from around the world. Shortly after making the changes to the program, INT received applications to join from a number of new participants. The ability to obtain real-time information has greatly assisted ongoing investigations. (See www.worldbank.org/vdp)

Cases

Multiple Allegations Help Uncover Corruption Scheme

In response to several allegations, INT uncovered evidence of a corruption scheme during the implementation of a contract financed under an emergency demobilization and reintegration project, which supported, among other things, reintegration of ex-combatants into civilian life.

Through its investigation, INT found evidence indicating that the president and owner of a company made illicit payments to a public official during the execution of the contract. The bribes were paid so that the government official would approve the payment of the company's invoices. The same company also submitted multiple false documents with its bids for contracts financed under 10 other projects.

As a result of this investigation, both the company, Kwaplah International Trading Co. Inc., and its owner and president, Mr. Sherlock Mahn, were debarred by the World Bank, and cross-debarred by two other MDBs, and are ineligible to be awarded Bank-financed contracts for a 12-year period.

Fruits of Cooperation with Siemens

In 2009, INT signed a settlement agreement with Siemens AG under which, among other things, Siemens agreed to provide INT with information regarding additional cases of wrongdoing. Since that time, INT has been working closely with Siemens to fulfill this element of the agreement. One case disclosed by Siemens related to an engineering consultant who maintained a longstanding relationship with the company. This consultant played a key role in designing a project for which Siemens won a contract—including evaluating Siemens' own bid for the work. During the course of his work, this consultant repeatedly provided Siemens with confidential information about the project. Yet, contrary to his contractual requirements, this consultant never told his employer—the project's implementing agency—about the conflict of interest that his relationship with Siemens presented. Indeed, he actively concealed it, and even used code names in his communications with Siemens. Based upon information disclosed by Siemens, INT conducted its own investigation into the case and sought sanctions against this consultant for his fraudulent conduct.

The “Wrong” Fridge

In a health project in Argentina, INT uncovered evidence of fraud under a \$1.4 million contract for the supply of refrigerators for vaccines storage. The evidence indicated that fraud was perpetrated by the winning bidder who swapped a qualified manufacturer of refrigerators named in its bid for an unqualified one after winning the contract. The qualified manufacturer had no knowledge of its inclusion in the bid and, in fact, its representatives had told the bidder that it could not produce the refrigerators in the given amount of time. The company, Proveeduría Médica, was sanctioned by the Bank with a three-year debarment. INT also referred its findings to the relevant national authorities to conduct their own investigation.

Project Implementation Unit Director Linked to Winning Bidder

Bank staff alerted INT of potential fraud involving a Project Implementation Unit (PIU) Director. INT's investigation uncovered evidence that a member of the Board of Directors of the winning bidder's parent company was concurrently serving as the Executive Director of the PIU. The evidence also showed that this individual was involved in the preparation of the terms of reference, the selection process, and the supervision of the contract in question. INT's investigation revealed that while being aware of both the conflict of interest and its obligation to disclose any such conflict, the company failed to do so as part of its proposal and later during contract execution. INT has referred its findings to the relevant national authorities and is in the process of seeking sanctions against the company. These findings also led to a declaration of misprocurement by the Bank and a cancellation of a portion of the loan.

Witness Safety is Paramount in Investigations

INT will not progress a case if, by doing so, there is a strong probability that a witness will suffer bodily harm. For example, in one matter, INT weighed allegations that a government official with supervisory responsibilities had solicited—and received—bribes from several contractors working on a Bank-financed project. INT received accounts that the official in question threatened contractors that they would be assessed large penalties if they did not pay him a bribe. In one instance, the individual refused to return a contractor's six-figure bank guarantee—even though the work had been completed—unless the contractor paid the official an agreed percentage of the contract. Despite strong evidence on the merits of the allegations, INT ultimately decided to drop the investigation due to a concern for the physical well-being of the complaining witness, who had received credible death threats.

Challenges in Community-Driven Development Operations

When faced with allegations of fraud and corruption in two community-driven development operations in Kenya, which channel support to multiple communities dispersed over large geographical areas, INT relied on its forensic expertise to audit areas of concern. In the Arid Lands Resource Management Project (ALRMP II), INT conducted a forensic audit of project expenditures claimed for the FY06–07 and FY07–08 years. The forensic audit covered almost half of the expenditures of the audit period and reviewed all expenditure vouchers for seven of the 28 project districts and headquarters. The audit involved an initial desk-based review followed up with field work and third party verification to triangulate the results. The results of the audit identified that about 29% (the equivalent of \$4 million) of the expenditures reviewed were suspected to be fraudulent and that the behaviors exhibited were systemic. INT presented its report to the Government of Kenya, which intends to conduct similar audits in the remaining 21 districts.

In the Kenya Education Sector Support project (KESSP), Kenya's Internal Audit Department (IAD), in close collaboration with INT and with support from DFID, performed a forensic audit of the project, which effectively covered the entire education sector of Kenya, across two fiscal years. INT assisted IAD by providing technical assistance at the planning stage; Kenya's IAD then undertook the massive audit effort itself. The audit identified ineligible expenditures of approximately \$67 million and resulted in the indictment and prosecution of at least 14 individuals from the Ministry of Education.

Profiles from the Field: Callum Weeks, INT Investigator since 2008

Q: How did you get into this line of work?

I started in the intelligence corps of the British Army and served from 1996 until 2000, primarily intelligence gathering in Bosnia and Herzegovina which was in a post-conflict environment. When I left the military I joined the Office of the High Representative [OHR] as an anti-fraud officer in northern Bosnia. Effectively what we were trying to do at OHR was to disengage corrupt public officials and organized crime from international donor funds. I worked a lot with local and international law enforcement and international donors. That's how I first came across INT; I was requested to support an INT investigation in the area. I worked for the Australian Federal Police in 2007, and then I joined INT in 2008.

Q: How have you seen the field evolve over the years?

There was an article written in the *New York Times* in 1999, and it essentially stated that one billion dollars had been invested in Bosnia and that nothing had changed, all the money was gone, there was no development, no post-war reconstruction. That led to a reaction inside Bosnia and the OHR to set up an anti-fraud department. It was a reaction to a criticism; fast forward to 2011, we openly talk about fraud and corruption. Institutions now proactively work to ensure that funds go to their intended purposes; good governance is a widely held goal of institutions and governments globally. Corruption has moved from something that used to stun people to something that people are willing to confront.

Q: The general public probably has its own idea of what being an investigator is like. Tell us a bit more about what you actually investigate and some of the challenges you face.

If we're talking about bribery, the money had to get somewhere through someone. There's always a trace, it just depends on how that payment was made, which makes it harder or easier to find. When it comes to fraud, it's much simpler; all you need to do is prove that the document is false. Coercion is quite difficult; normally threats are not carried out in writing. Collusion is equally hard to prove because most people who are in a cartel are not going to write down the rules of how they're going to collude. Obstruction is also difficult to document; it's hard to come by an email from the subject of an investigation directing someone else not to cooperate with the Bank [investigation]. At times gathering the information we need to complete an investigation can be intense and complicated. We have to take into account any issues related to the information, especially if there is a concern regarding the safety of a witness or complainant. We don't want to do anything that will put someone in harm's way just because we are trying to substantiate an investigation for INT.



Weeks visiting roads in Nepal, an experience he singles out as one of his most rewarding since joining INT. He received the Order of the British Empire in 2005 for services to good governance in Bosnia and Herzegovina.

Documents stand up more robustly to scrutiny, but it's just as important to go out and meet with people, negotiate, get them to talk to you. That's where we end up bringing in confidentiality agreements. We have no powers to seize or subpoena. We're in the business of investigating through liaison, negotiation, and goodwill. People don't necessarily share your point of view, so you have to work with them in such a way that they will cooperate with you. You constantly have to be creative about how you approach your work.

Q: What is most rewarding about what you do?

You're part of something bigger than just an investigation and you get a sense that you're actually contributing to a project. For me a good example of that was working with a team in Nepal on a roads sector development project. We visited every contract on the road, worked with the local government officials, met with the people who will hopefully benefit from the road, and met with the contractors to explain what INT is about. Some six to eight months later, bid prices that were at best 10–20% above the engineers' estimate—and at worse 100–160% above—came down to 10% underneath the engineers' estimate. I'd like to believe our team had something to do with that.



Ray Witlin / World Bank

FY11 Facts and Figures

Investigative Data

INT groups its investigations into two categories, external and internal investigations. External investigations look into allegations of five types of misconduct: fraud, corruption, collusion, coercion, and obstruction. These are the practices for which the Bank Group may impose sanctions on entities doing business with the Bank Group. (See www.worldbank.org/sanctions) Evidence of misconduct by government officials is generally referred to national authorities for follow-up.

Internal investigations assess allegations of significant fraud and corruption involving Bank Group staff occurring in Bank Group-financed projects or supported activities (i.e., operational fraud and corruption) or affecting the Bank Group administrative budgets (i.e., corporate fraud and corruption). INT also investigates allegations against corporate vendors involving the five sanctionable practices in support of the Bank's corporate vendor eligibility determinations, leading to corporate debarment proceedings and in some cases operational cross-debarments. (See www.go.worldbank.org/C3YIALVBF0)

External Investigations

COMPLAINT INTAKE

INT performs an initial assessment to determine whether the complaint relates to a sanctionable practice in Bank Group-supported activities, whether the complaint has credibility, and whether the matter is of sufficient gravity to warrant an investigation. In determining whether to investigate a complaint, INT also considers the possible reputational risk to the World Bank Group, the amount of funds involved, and the quality of the information or evidence in INT's possession. When a complaint involving Bank-Group activities is not investigated, INT works with operational staff to address the issues raised.

In FY11, INT received 460 new complaints (not including Advanced Fee Fraud complaints) of which 369 involved a Bank Group supported activity, thereby warranting further initial review. These complaints related to 367 projects in 97 countries. Last fiscal year, INT received 441 complaints.

INT receives complaints—anonymous and named—from all over the world and from many sources. Of external cases opened in FY11, 36% of complaints received came from Bank Staff, 49% of complaints were from non-Bank sources, and 15% came from anonymous complainants. Non-Bank sources include contractors, government officials, employees of NGOs, and the media. INT routinely conducts outreach to all groups in an effort to increase overall awareness and reporting of complaints.

INVESTIGATION OF CASES

Through investigations, INT ascertains whether firms and/or individuals have engaged in one of the Bank Group's five sanctionable practices. The standard of proof for investigations is akin to a "balance of probabilities." If INT finds sufficient evidence to prove the allegation, it is considered *substantiated*. The allegation is considered *unsubstantiated* if there was insufficient evidence to prove or disprove it, and *unfounded* if the allegation has no basis in fact. In the past fiscal year, INT has refined its selection process for matters going to full investigation. In keeping with advice it has received from the Bank's Audit Committee, INT has devoted additional resources to conducting more thorough preliminary screening and prioritization of allegations. In FY11, this increased selectivity resulted in fewer cases being opened (73) compared to FY10 (194), but 36% more opened cases being substantiated. The percentage of cases classified as high priority also increased in the past fiscal year: 68% in FY11 over 18% in FY10. In terms of measuring impact and outcome, these statistics suggest a smarter allocation of limited resources. INT carried over 99 cases and closed 83.

In FY11, of the external cases opened involving sanctionable practices, most involved allegations of fraud and collusion

| TYPE OF ALLEGATION | FY09 | FY10 | FY11 |
|--------------------|------|------|------|
| Coercion | 1 | 3 | 0 |
| Collusion | 42 | 60 | 67 |
| Corruption | 26 | 28 | 48 |
| Fraud | 38 | 41 | 97 |

N.B. One case may involve more than one allegation.

See www.worldbank.org/sanctions for legal definitions of the sanctionable practices: fraud, corruption, coercion, collusion, and obstruction.

Overview of external investigative outcomes, FY06-FY11

| CASES | FY07 | FY08 | FY09 | FY10 | FY11 |
|-------------------|------|------|------|------|------|
| Substantiated | 33 | 29 | 39 | 42 | 38 |
| Unsubstantiated | 44 | 23 | 32 | 57 | 32 |
| Unfounded | 8 | 15 | 15 | 18 | 8 |
| Other* | 20 | 54 | 63 | 121 | 5 |
| No further action | 44 | 48 | 4 | 0 | 0 |
| Closed | 149 | 169 | 153 | 238 | 83 |

* Greater selectivity of cases investigated and resource allocation to those cases led to fewer "Other" investigative outcomes in FY11.

FINAL INVESTIGATION REPORTS

When INT substantiates a case, it produces a Final Investigation Report (FIR). FIRs are sent to regional management for comment before being finalized and provided to the President.

In some cases, INT will produce an FIR, even if there is not reasonably sufficient evidence to substantiate a complaint; for example, if INT believes that the investigation unearthed important lessons that should be shared with colleagues in the Bank Group and with client governments of the World Bank.

INT began tracking case turnaround time in FY10, striving to ensure that the maximum time between opening a case and submitting the FIR to the President of the World Bank is between 12 and 18 months, depending on the complexity of cases. This timeframe was recommended by the Volcker Panel in its independent review of INT in 2007. INT submitted 46 FIRs to the President of the World Bank in FY11, with an average turnaround time of 521 days or approximately 17.1 months.

FIRs also form the basis for two other INT outputs: referral reports, which INT sends to relevant national authorities if evidence indicates that the laws of a Bank Group member country may have been violated (see page 44 for list of referrals made in FY10-11); and redacted reports, which are provided to the Bank Group's Board of Executive Directors for information and, after the completion of any related sanctions proceedings, made publicly available. (See www.worldbank.org/integrity)

STATEMENT OF ACCUSATIONS AND EVIDENCE

When INT finds sufficient evidence to substantiate that a sanctionable practice occurred, it also prepares a Statement of Accusations and Evidence (SAE) based on the FIR. The SAE is presented for review to the relevant Bank Group's Evaluation and Suspension Officer (EO). As of FY11, the SAE replaced the Proposed Notice of Sanctions Proceedings (NoSP), the renaming of which should bring greater clarity to the sanctions process.

Breakdown of the Increase Sanctioning Activity in FY11

| | FY07 | FY08 | FY09 | FY10 | FY11 |
|---|------|------|------|------|------|
| FIRs Finalized | N/A | N/A | 35 | 47 | 46 |
| Submissions to Office of Evaluation and Suspension (OES) | | | | | |
| Resubmissions | | | | | 48 |
| Statements of Accusations and Evidence (SAEs) | 2 | 4 | 40 | 42 | 27 |
| Negotiated Resolution Agreements (NRAs) | — | — | — | 1 | 11 |
| Sanctions Imposed | 1 | 8 | 13 | 45 | 34 |
| Temporary Suspensions** | | | | | 55 |

*NoSPs in FY10, SAEs and NRAs in FY11

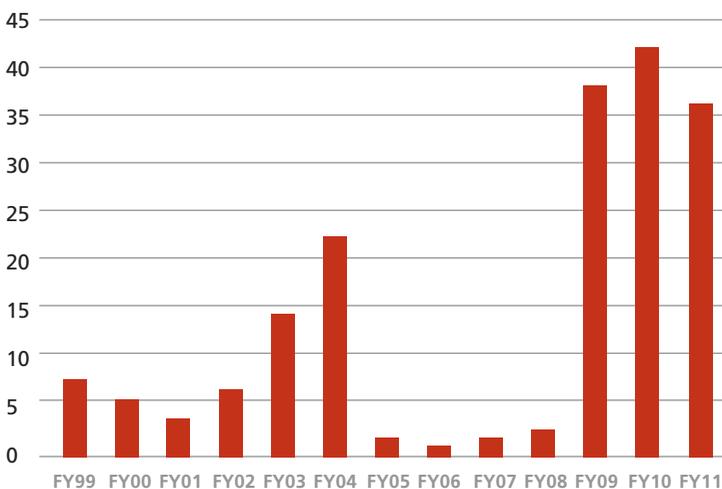
** As of FY11, temporary suspensions are issued by the OES, following the submission of a NoSP.

SANCTIONS

The decision whether a firm or individual has more likely than not engaged in a sanctionable practice and, if so, what sanction should be imposed, is determined via a two-tier process involving the Evaluation and Suspension Officers (EOs) and the Sanctions Board. Both the EOs and the Sanctions Board are independent of INT. The EOs review the case brought by INT against a respondent to determine whether there is sufficient evidence to support the accusations against the respondent and, if so, recommend an appropriate sanction via a Notice of Sanctions Proceedings (NoSP) and temporarily suspend the respondent. Under the sanctions procedures, when a respondent fails to contest the accusations against it within 90 days, the sanction recommended by the EO is imposed. If the respondent contests the recommended sanction, the Sanctions Board will consider the case, which may include a hearing if requested by the respondent. (See page 41 for list of entities debarred in FY11.)

Decisions issued by the Sanctions Board in November 2010 and June 2011 addressed the following points, among others: (1) mens rea; (2) burden of proof; (3) direct and/or vicarious liability for respondent organizations; (4) the need to review the evidence in totality when determining whether a respondent engaged in a sanctionable practice; and (5) the standard of review applicable to requests for reconsideration. These rulings bring more clarity to these legal issues, and should facilitate future processing of sanctions cases.

Cases Submitted for Sanctions, FY99–11



The fluctuations from FY99–11 can be attributed to the World Bank’s implementation of the Volcker Panel recommendations, various reforms in the sanctions system, the difficulties that came with transitioning to the two-tier sanctions process, greater industry on the part of all parties involved in the debarment process, and a significant investment by the Bank Group in resources for INT.

NEGOTIATED RESOLUTION AGREEMENTS

Firms or individuals may also enter into settlements through a Negotiated Resolution Agreement (NRA), which can save the Bank considerable resources, while providing certainty of result for both the Bank and the party under investigation. At the same time, settlements must be handled with discretion and transparency, so as to avoid any possibility for abuse, or the appearance of abuse. INT is responsible for the drafting, negotiation and signing of NRAs. The agreements are, however, subject to clearance by the General Counsel and the Vice President for Integrity before their submission to the relevant EO. The EO is charged with reviewing settlement agreements to verify that (i) the respondent entered into the agreement freely and fully informed of its terms, and free of duress, and (ii) the terms of the agreement are broadly consistent with the Sanctioning Guidelines. The EO's review is limited to either accepting or rejecting the settlement agreement.

Internal Investigations

In addition to investigating allegations of fraud and corruption involving Bank Group staff and corporate vendors, INT uses lessons learned through training and other activities to promote the reporting, detection and prevention of fraud and corruption within the Bank Group's corporate arena. INT's knowledge products also assist in strengthening the Bank Group's internal controls environment.

THE INTERNAL INVESTIGATIONS CYCLE

Internal investigations focuses on three types of allegations: (i) operational fraud and corruption (which includes allegations against staff relating to Bank Group operations, such as irregularities in procurement, abuse of position, consultancy fraud, favoritism, collusion, kickbacks and bribery in Bank Group projects and misuse of trust funds); (ii) corporate fraud and corruption (which includes allegations against staff relating to corporate procurement irregularities, abuse of position, conflicts of interest, embezzlement, vendor fraud, kickbacks and bribery, misuse of Trust Funds and misuse of other Bank Group resources involving Bank Group administrative budgets); and (iii) fraud, corruption, collusion, coercion or obstruction (the five sanctionable practices) by corporate vendors.

Upon receipt of a complaint, the INT follows a consistent three-stage process: (i) Intake and Evaluation; (ii) Preliminary Inquiry; and (iii) Investigation.

During intake and evaluation, INT conducts an initial review and assessment of every complaint to assess INT's jurisdiction over the matter. Complaints determined to be outside its jurisdiction are referred to other parts of the Bank Group, such as the Office of Ethics and Business Conduct or other offices within the Bank Group's Internal Justice System.

Every complaint determined to fall within INT's mandate undergoes a preliminary inquiry to determine whether there is a sufficient evidentiary basis to merit a formal Rule 8.01 investigation or, for complaints involving corporate vendors, further fact-finding investigation. A preliminary inquiry normally includes interviews of witnesses, collection of documentary evidence, and if appropriate, a review and analysis of electronic records, files and communications.

In a formal Rule 8.01 investigation, INT will establish the full facts and circumstances of the matter, including the collection and assessment of evidence that is both inculpatory and exculpatory. If INT substantiates the allegations, INT submits its findings and supporting evidence to the Bank's Vice President for Human Resources (VPHR) for disciplinary decision. Staff may appeal disciplinary decisions arising from INT cases, or the manner in which INT conducted the investigation, to the World Bank's Administrative Tribunal.

For vendors, the fact-finding process involved in determining whether corporate vendors have engaged in one of the Bank Group's five sanctionable practices is similar to the process applied in INT's external investigations. The principal difference being that INT's findings are reported to the Director of the Bank's General Services Department (GSD) for a Vendor Responsibility Determination (versus submission of a Statement of Accusations and Evidence to the OES for Sanctions Proceedings.)

FY11 OUTCOMES

In FY11, INT received 74 new complaints, of which 35 underwent a preliminary inquiry. Of the remaining 39 complaints, 32 were filed for information because the allegations lacked specificity or supporting information and therefore could not be responsibly investigated absent the receipt of further information, and seven complaints were referred to other appropriate venues outside INT for intervention.

In addition, during FY11 INT dealt with 36 cases carried over from FY10 for a total load of 71 cases, of which 58 were preliminary inquiries, seven Staff Rule 8.01 investigations, and six active vendor investigations. Of the seven Rule 8.01 investigations, one was brought to closure and submitted to the Vice President of Human Resources for disciplinary decision and the remaining six investigations are expected to be brought to closure during the first half of FY12. A total of 30 cases remain the subject of further preliminary inquiry into FY12 (of which 18 involve staff on operational matters, eight involve staff on corporate matters and four involve corporate vendors).

As a result of this work, INT substantiated six cases involving six staff and two vendors and cleared 11 staff who were wrongly accused in 11 cases. In all, 35 cases were closed in FY11, 18 involving corporate matters (16 staff cases and two vendor cases) and 17 relating to operations. Of the 35 cases closed, 27 (or

75%) were cases carried over from FY10 (of which 12 involved corporate matters and 15 related to operations).

Internal Investigations Cases (FY11):

| | OPERATIONAL (STAFF) | CORPORATE (STAFF) | VENDOR | TOTAL |
|--------------------------------|------------------------|----------------------|----------|-----------|
| Carried over from FY10 | 19 | 16 | 1 | 36 |
| Opened | 19 | 11 | 5 | 35 |
| Total | 38 | 27 | 6 | 71 |
| Closed | 17 | 16 | 2 | 35 |
| Substantiated | 2 | 3 | 1 | 6 |
| Unsubstantiated | 7 | 4 | 0 | 11 |
| Unfounded | 5 | 5 | 1 | 11 |
| Referred | 3 | 4 | 0 | 7 |
| Ending caseload | 21 | 11 | 4 | 36 |
| Undergoing preliminary inquiry | 18 | 8 | 4 | 30 |
| Undergoing full investigation | 3 | 3 | 0 | 6 |

Overview of internal investigation outcomes, FY07–FY11

| CASES | FY07 | FY08 | FY09 | FY10 | FY11 |
|---------------------------|------------|-----------|-----------|-----------|-----------|
| Substantiated | 51 | 24 | 24 | 4 | 6 |
| Unsubstantiated | 38 | 23 | 23 | 16 | 11 |
| Unfounded | 25 | 7 | 24 | 7 | 11 |
| Referred/not investigated | 38 | 20 | 28 | 18 | 39 |
| Closed¹ | 152 | 74 | 99 | 45 | 35 |

The six cases substantiated in FY11 included: (i) a fraud relating to a G4 Visa, benefits and allowances; (ii) fraudulent billing while engaged as consultant by a member government on a Bank-financed project; (iii) conflicts of interest in corporate procurement; (iv) soliciting and receiving kickbacks when hiring short term temporaries; (v) fraudulent, corrupt and collusive practices associated with IFC-supported activities; and (vi) vendors engaged in fraudulent and collusive practices.

TURN AROUND TIME

INT aims to complete internal cases within nine months (270 days). In FY11, the average turnaround time for the 35 cases closed was 331 days or approximately eleven months, whereas in FY10 the average turnaround time for the 45 cases closed was 212 days or approximately seven months.

¹ The decline in cases beginning in FY10 can be attributed to a focus on more substantive and resource-intensive cases, a better screening of complaints that warrant our attention and the narrowing of INT's internal investigations mandate. INT transferred to the Office of Ethics and Business Conduct the responsibility for handling staff cases not involving fraud or corruption. While actual numbers have declined, the nature of the staff cases in INT's portfolio has become more complex and multi-dimensional.

The fluctuation in turnaround time was a direct consequence of INT's internal investigative staff having to prioritize and focus on: (i) several complex, multidimensional cases; and (ii) several institutionally sensitive, high-risk/high-profile cases, which delayed the completion of several other cases within the portfolio.

LESSONS LEARNED

As part of its effort to apply lessons learned and continually strengthen the internal control environment, INT, in partnership with other Bank Group units (i) addressed a lacuna in the Bank's Information Security Policy relative to staff members' due process rights; (ii) revised Staff Rule 8.01 and its Annex as it relates to the recording and transcription of witness interviews; (iii) revised protocols for access to financial disclosure information; (iv) revised its operating protocols regarding access to a staff member's electronic records and the criteria for criminal referrals to national authorities based on recent Tribunal judgments; and (v) made significant revisions to both the format and substance of its database of World Bank Administrative Tribunal (WBAT) decisions, to facilitate the appropriate application of the Tribunal's emerging jurisprudence in future investigations.

INT, together with GSD, also engaged contracting officials to (i) intensify the scrutiny of sole-source justifications; (ii) ensure procurement files are complete and in compliance with the policies that govern their content to maintain evidence to prove fair competition; and (iii) identify and handle unfair competitive advantages and conflicts of interest.

In addition, INT assisted GSD in the preparation of a business ethics letter issued to the Bank's 10,000 plus corporate vendors outlining expected business ethics for vendors.

INT also mined lessons learned from allegations of misconduct addressed over the past two years and compiled a list of certain behaviors and activities—including deliberate and inadvertent conflicts of interest—that expose the Bank to heightened reputational risks. Based on this work, INT, in partnership with the Office of Ethics and Business Conduct (EBC), Human Resources, Legal and OPCS, will be conducting a review in FY12 of relevant practices and policies to strengthen internal staff due diligence and identify, manage and resolve conflicts of interest early.

Budget and Staffing

Compared to FY10, INT's FY11 budget increased by 9%, while staffing decreased by 6% to 92, of whom 49% are female and 51% are male. Thirty-nine percent of staff represent Part II countries and 9% represents Part I Nationalities of Focus.

INT has successfully built up and maintained steady capacity in both the litigation and forensic services, which has significantly reduced its historic reliance on external firms. While INT's staffing strategy includes further increasing its capacity (in critical areas such as preventive services and compliance) in order to meet the growing and evolving demands, it is mindful of the current financial climate and has worked to contain costs while delivering on its agreed work program.

| | FY08 | FY09 | FY10 | FY11 |
|--|-----------|-----------|-----------|-----------|
| Budget (\$ in millions, incl. reimbursables) | \$14.6 | \$18.8 | \$18.7 | \$20.4 |
| Staffing | | | | |
| Staff grades GE+* | 42 | 52 | 74 | 72 |
| <i>o/w Investigators/Specialists</i> | 37 | 47 | 63 | 65 |
| Staff grades GA–GD* | 12 | 26 | 24 | 20 |
| <i>o/w GA–GD Specialists</i> | 4 | 15 | 10 | 7 |
| Total | 54 | 78 | 98 | 92 |

* Includes staff holding Extended Term Consultant and Extended Term Temporary appointments at equivalent grades GE+ and GA-GD respectively.

Entities Debarred in FY11

| | COMPANY/INDIVIDUAL | COUNTRY | GROUND FOR DEBARMENT | YEARS OF DEBARMENT |
|----|---|-------------------------------|---|--------------------|
| 1 | KWAPLAH INTERNATIONAL TRADING CO. INC.* | United States | Fraudulent and Corrupt Practice 2002 and 2004 Consultant Guidelines | 12 |
| 2 | SHERLOCK MAHN* | United States | Fraudulent and Corrupt Practice 2002 and 2004 Consultant Guidelines | 12 |
| 3 | JORGE CASTRO PEREZ | Bolivia | Fraudulent Practice 1999 Procurement Guidelines | 4 |
| 4 | SANEA S.R.L. | Bolivia | Fraudulent Practice 1999 Procurement Guidelines | 4 |
| 5 | AMBALAL SARABHAI ENTERPRISES LIMITED* | India | Fraudulent Practice 1999 Procurement Guidelines | 3 |
| 6 | ASSOCIATION MUHANDISON | Tajikistan | Fraudulent Practice 1999 Procurement Guidelines | 3 |
| 7 | EKSEN PROJE INSAAT TURIZM VE TICARET ANONIM SIRKETI* | Turkey | Collusive Practice 2004 Procurement Guidelines | 3 |
| 8 | ELKRI SH.P.K.* | Albania | Fraudulent Practice 1999 Procurement Guidelines | 3 |
| 9 | ENGINEER CONSULTANT COMPUTER & PERIPHERALS SPRL | Congo, Democratic Republic of | Corrupt Practice 1999 Procurement Guidelines | 3 |
| 10 | GLOBAL SPIN WEAVE LTD.* | India | Fraudulent Practice 1999 Procurement Guidelines | 3 |
| 11 | JEAN DONATIEN MAGBUNDUKU | Congo, Democratic Republic of | Corrupt Practice 1999 Procurement Guidelines | 3 |
| 12 | LASSERVICE NV | Belgium | Fraudulent Practice 1999 Procurement Guidelines | 3 |
| 13 | LLC UN&CO | Tajikistan | Fraudulent Practice 1999 Procurement Guidelines | 3 |
| 14 | M/S. CHEMITO TECHNOLOGIES PVT. LTD.* | India | Fraudulent Practice 1999 Procurement Guidelines | 3 |
| 15 | MR. JOSEPH NUIJTEN | Belgium | Fraudulent Practice 1999 Procurement Guidelines | 3 |
| 16 | MR. YANG LIN* | China | Fraudulent Practice 2006 Procurement Guidelines | 3 |
| 17 | NIKOLAY V. VAKORIN* | Russian Federation | Fraudulent Practice 2004 Procurement Guidelines | 3 |
| 18 | PROVEEDURÍA MÉDICA S.R.L. | Argentina | Fraudulent Practice 1999 Procurement Guidelines | 3 |
| 19 | PT. LENGGOGENI* | Indonesia | Fraudulent Practice 2004 Consultant Guidelines | 3 |
| 20 | RONBERG GRUPPE LLC, AG* | Russian Federation | Fraudulent Practice 2004 Procurement Guidelines | 3 |
| 21 | SUDHIR AGRAWAL* | India | Fraudulent Practice 1999 Procurement Guidelines | 3 |
| 22 | C. LOTTI AND ASSOCIATI SOCIETA' DI INGEGNERIA S.P.A. (LOTTI)* | Italy | Fraudulent Practice 2002 Consultant Guidelines | 2 years, 3 months |

*These entities have been cross-debarred by other signatory MDBs.

Entities Debarred in FY11 (continued)

| | COMPANY/INDIVIDUAL | COUNTRY | GROUNDS FOR DEBARMENT | YEARS OF DEBARMENT |
|----|--|-----------|--|----------------------|
| 23 | P.T. BINA KARYA* | Indonesia | Fraudulent Practice 2002 Consultant Guidelines | 2 years, 3 months |
| 24 | PT DDC CONSULTANTS* | Indonesia | Fraudulent Practice 2002 Consultant Guidelines | 2 years, 3 months |
| 25 | PT TRICON JAYA* | Indonesia | Fraudulent Practice 2002 Consultant Guidelines | 2 years, 3 months |
| 26 | PT. CIPTA SANITA MANDIRI* | Indonesia | Fraudulent Practice 2002 Consultant Guidelines | 2 years, 3 months |
| 27 | PT. JASA MITRA MANUNGAL* | Indonesia | Fraudulent Practice 2002 Consultant Guidelines | 2 years, 3 months |
| 28 | PT. SEHAT PRATAMA SEJATI* | Indonesia | Fraudulent Practice 2002 Consultant Guidelines | 2 years, 3 months |
| 29 | DEA DHV SH.P.K.* | Albania | Fraudulent Practice 1999 Procurement Guidelines | 2 |
| 30 | HEFEI HIGHWAY & BRIDGE PROJECT CO. LTD. | China | Fraudulent Practice 2006 Procurement Guidelines | 2 |
| 31 | RINIA SK SH.P.K.* | Albania | Fraudulent Practice 1999 Procurement Guidelines | 2 |
| 32 | SEGO VENTURES NIGERIA LIMITED | Nigeria | Fraudulent Practice 2004 Procurement Guidelines | 2 |

Cross-Debarments Honored by the World Bank Group

| | | | | |
|----|---|-----------|------------------------|-----------------------------------|
| 33 | MR. ANSHAR M. NOOR | Indonesia | Cross-debarment by ADB | Permanent |
| 34 | MR. ASRUL MASIR HARAHAP | Indonesia | Cross-debarment by ADB | Permanent |
| 35 | MR. DENI CASMADI | Indonesia | Cross-debarment by ADB | Permanent |
| 36 | MR. G.I.P. GUNATHILAKE A.K.A. INDRALAL GUNATHILAKE | Sri Lanka | Cross-debarment by ADB | Permanent |
| 37 | MR. GUNAWAN PRAYITNO | Indonesia | Cross-debarment by ADB | Permanent |
| 38 | MR. MUHAMMAD FATAH HIDAYAT | Indonesia | Cross-debarment by ADB | Permanent |
| 39 | MR. NUGROHO SATRIO SEMEDI | Indonesia | Cross-debarment by ADB | Permanent |
| 40 | MR. RUDI SUBIYAKTO | Indonesia | Cross-debarment by ADB | Permanent |
| 41 | MR. SATRIO BUDI HANDOKO (A.K.A. JOKO SESWANTO) | Indonesia | Cross-debarment by ADB | Permanent |
| 42 | TONIH USMANA | Indonesia | Cross-debarment by ADB | Permanent |
| 43 | PPA CONSULTANTS | Indonesia | Cross-debarment by ADB | 9 years, 10 months, 24 days |
| 44 | PT KREASI CIPTA KONSULTAN | Indonesia | Cross-debarment by ADB | 9 years, 10 months, 24 days |

*These entities have been cross-debarred by other signatory MDBs.

| | COMPANY/INDIVIDUAL | COUNTRY | GROUNDS FOR DEBARMENT | YEARS OF DEBARMENT |
|----|---|------------|------------------------|-----------------------------|
| 45 | PT SUMAPLAN ADICIPTA PERSADA | Indonesia | Cross-debarment by ADB | 9 years, 10 months, 24 days |
| 46 | DAQING OILFIELD HIGHWAY & BRIDGE ENGINEERING CO., LTD. | China | Cross-debarment by ADB | 6 years, 8 months, 12 days |
| 47 | M/S G.I.P. GUNATHILAKE CONSTRUCTION CIVIL ENGINEERING CONTRACTORS | Sri Lanka | Cross-debarment by ADB | 6 years, 9 months, 12 days |
| 48 | M. BABUL M. AKHTAR | Bangladesh | Cross-debarment by ADB | 3 years, 10 months, 17 days |

Other Sanctions Imposed

| | COMPANY/INDIVIDUAL | COUNTRY | SANCTION IMPOSED | GROUNDS FOR DEBARMENT |
|---|------------------------------|----------|---|-----------------------|
| 1 | Prognyst | Ethiopia | Conditional Non-debarment and Letter of Reprimand | Fraudulent Practice |
| 2 | Yachiyo Engineering Co. Ltd. | Japan | Letter of Reprimand | Fraudulent Practice |

The following entities were debarred in FY10; however, subsequent sanctions proceedings in FY11 resulted in an increase in their debarment from four years to eight years: Global Technology Solutions, Inc.; Glocoms, Inc.; Glosolve Limited; Maurence Anguh; The Glocoms Group, Inc.

This list includes the minimum period of debarment to be served, but does not include the conditions for the release of debarments if such conditions exist. For entities cross-debarred, there are no conditions for release. However, most World Bank Group debarments contain such conditions. See www.worldbank.org/debarr for complete list of currently debarred entities and conditions.

Referrals Made to Governments in FY10 –11

| | DATE OF REFERRAL | REFERRAL RECIPIENT | NATURE OF MISCONDUCT | PROJECT DESCRIPTION | STATUS |
|-----|------------------|--------------------------|---|--|--|
| 1. | Jun 30, 2011 | Egypt | Fraudulent Practices in Airport Industry | Airports Development | Recent referral. Follow-up underway. |
| 2. | Jun 30, 2011 | United States of America | Fraudulent Practices in Airport Industry | Airports Development | Recent referral. Follow-up underway. |
| 3. | Jun 30, 2011 | Peru | Fraudulent Practices in the Procurement of Equipment | Trade Facilitation and Productivity Improvement Technical Assistance | Recent referral. Follow-up underway. |
| 4. | Jun 30, 2011 | Mexico | Fraudulent Practices in the Procurement of Equipment | Trade Facilitation and Productivity Improvement Technical Assistance | Recent referral. Follow-up underway. |
| 5. | Jun 30, 2011 | United States of America | Fraudulent Practices in the Procurement of Equipment | Trade Facilitation and Productivity Improvement Technical Assistance | Recent referral. Follow-up underway. |
| 6. | Jun 23, 2011 | Nigeria | Fraudulent Practices against Two Companies in Construction of Schools and Boreholes | Metropolitan Development and Governance | Recent referral. Follow-up underway. |
| 7. | May 26, 2011 | Rwanda | Corrupt Practices Involving a Public Official | Human Resource Development | Recent referral. Follow-up underway. |
| 8. | May 23, 2011 | Guatemala | Fraudulent Practices and Misuse of Project Funds | Barrier Reef System | Recent referral. Follow-up underway. |
| 10. | Apr 15, 2011 | Kenya | Fraudulent Expenditures in Several Bank-Supported Activities | Arid Lands Resource Management Project-Phase II | Ongoing interactions with Kenya authorities. |
| 11. | Apr 12, 2011 | Canada | Fraudulent Practices in Construction | Bridge | Ongoing investigation. |
| 12. | Mar 28, 2011 | Comoros | Fraud and Corruption in Services Project | Services Support | Recent referral. Follow-up underway. |
| 13. | Mar 23, 2011 | Afghanistan | Fraudulent Practices Involving Incomplete Bid Submission, Misrepresentation of Business Information | Urban Water Supply and Sanitation | Ongoing. Follow-up being planned. |
| 14. | Mar 23, 2011 | Bolivia | Fraud and Corruption | National Land Administration | Recent referral. Follow-up underway. |
| 15. | Mar 23, 2011 | United States of America | Fraudulent Practices Involving Incomplete Bid Submission, and Misrepresentation of Business Information | Urban Water Supply and Sanitation | Ongoing. Work underway. |
| 16. | Mar 18, 2011 | Germany | Fraud and Conflict of Interest | Urban Transport | Ongoing. Work underway. |

| | DATE OF REFERRAL | REFERRAL RECIPIENT | NATURE OF MISCONDUCT | PROJECT DESCRIPTION | STATUS |
|-----|------------------|------------------------------|--|--|---|
| 17. | Mar 23, 2011 | Russia | Fraud and Conflict of Interest | Urban Transport | Recent referral. Follow-up underway. |
| 18. | Jan 31, 2011 | India | Fraud (False Performance Certificate) and Corruption in Procurement of Contracts | Tuberculosis Control | Recent referral. Follow-up underway. |
| 19. | Dec 30, 2010 | China | Fraud (Authentication of Bid Guarantee) | Reproductive and Child Health | No update received. |
| 20. | Dec 30, 2010 | Finland | Fraud and Corruption in Procurement and Execution of Contracts in Urban Development Projects | Water Supply Development; Infrastructure Investment; Water & Sanitation Program | Ongoing. Work underway. |
| 21. | Dec 30, 2010 | India | Fraud (Authentication of Bid Guarantee) | Reproductive and Child Health | No update received. |
| 22. | Dec 30, 2010 | Nepal | Corruption and Coercion | Health Sector Program | No update received. |
| 23. | Dec 30, 2010 | Switzerland | Fraud and Corruption in Procurement and Execution of a Consultant Services Contract | Water Sector Project | Authorities unable to proceed due to Bank-imposed limitations on use of information. Bank policy under internal review. |
| 24. | Dec 30, 2010 | Vietnam | Fraud and Corruption in Procurement and Execution of Contract | Water Supply Development | Investigative support requested. |
| 25. | Dec 30, 2010 | Vietnam | Fraud and Corruption in Procurement and Execution of Contracts | Infrastructure Investment Water & Sanitation Program; Urban Upgrading | Declined to prosecute. Authorities satisfied with the company's performance on contract. |
| 26. | Dec 15, 2010 | Korea | Collusive Scheme by Five Korean Companies | National Roads Improvement and Management Project | Investigation underway. |
| 27. | Nov 29, 2010 | Democratic Republic of Congo | Fraudulent Practices by a French Company Related to the Procurement of a Contract | Multisectoral HIV/AIDS | No update received. |
| 28. | Oct 22, 2010 | Azerbaijan | Fraudulent Practices in Bid Evaluation | National Water Supply and Sanitation | Declined to prosecute. |
| 29. | Oct 12, 2010 | Ethiopia | Fraudulent Practices Related to the Procurement of Bank-Financed Contract | Rural Electric Access Expansion | Ongoing. Work underway. |
| 30. | Oct 8, 2010 | Mongolia | Fraudulent Practices Involving False Claims and Improper Consultant Substitution | Economic Capacity Building Technical Assistance Project; and Project Governance Assistance | Investigative assistance requested from INT. |

Referrals Made to Governments in FY10 –11 (continued)

| | DATE OF REFERRAL | REFERRAL RECIPIENT | NATURE OF MISCONDUCT | PROJECT DESCRIPTION | STATUS |
|-----|------------------|--------------------------|---|---|--|
| 31. | Oct 7, 2010 | Argentina | Fraud and Corruption | Public Health | Investigative assessment in process. |
| 32. | Sep 30, 2010 | Albania | Collusion in Bidding and Conflict of Interest by a Public Official | Municipal Water and Wastewater | Unable to prosecute due to expired statute of limitations. |
| 33. | Sep 30, 2010 | Bulgaria | Fraudulent Practices Involving Forged Bid Securities, Forged Advance-Payment Guarantees, and Performance Guarantees | Social Investment and Employment Promotion | Ongoing investigation. |
| 34. | Sep 30, 2010 | Moldova | Fraudulent Practices Involving a False Bid Security Submitted by a UK Company | Health Investment Fund | Follow-up underway. |
| 35. | Sep 30, 2010 | United Arab Emirates | Fraudulent and Collusive Practices in Oil Industry | Oil Field Rehabilitation | No update received. |
| 36. | Sep 22, 2010 | United States of America | Fraudulent and Corrupt Practices Involving Dutch, Tanzanian, and Norwegian Companies | Water Supply and Sanitation | Ongoing interaction underway. |
| 37. | Sep 20, 2010 | United Kingdom | Fraudulent Practices Involving a False Bid Security Submitted by a UK Company | Health Investment Fund | Assessment by authorities underway. |
| 38. | Aug 25, 2010 | United States of America | Fraudulent Practices Involving False Claims and Improper Consultant Substitution | Payment System and Bank Modernization; Economic Capacity Building Technical Assistance, and Governance Assistance | Declined to prosecute on the merits. |
| 39. | Aug. 11, 2009 | Palestinian Authority | Fraud | Emergency Services Support | Ongoing. The case is before a judge. |
| 40. | Aug. 11, 2009 | Israel | Fraud | Emergency Services Support | Declined to prosecute. |
| 41. | Aug. 25, 2009 | Kazakhstan | Collusion | Oil Field Rehabilitation | Ongoing. Work underway. |
| 42. | Sept. 11, 2009 | Cambodia | Fraud | Provincial and Rural Infrastructure | Declined to prosecute because of age of case and determination that misconduct was a mistake on the part of the company. |
| 43. | Sept. 11, 2009 | Vietnam | Fraud | Payment Systems and Bank Modernization | Declined to prosecute because of limited role of local company. |
| 44. | Sept. 22, 2009 | United Kingdom | Fraud | Education Rehabilitation | Investigation completed. Company fined \$17.1 million. |
| 45. | Sept. 30, 2009 | India | Fraud, Corruption | Food and Drugs | No update. |
| 46. | Sept. 30, 2009 | India | Fraud | India DIR | No update. |

| | DATE OF REFERRAL | REFERRAL RECIPIENT | NATURE OF MISCONDUCT | PROJECT DESCRIPTION | STATUS |
|-----|------------------|--------------------|---|---|--|
| 47. | Sept. 30, 2009 | India | Collusion | India DIR | Ongoing. Investigative authority recommended sanction. |
| 48. | Sept. 30, 2009 | India | Fraud | India DIR | Ongoing. Investigative authority recommended sanction. |
| 49. | Oct. 31, 2009 | Bangladesh | Corruption | Road Rehabilitation and Maintenance | Ministry of Finance reported that charges were filed against project director and project manager and three employees of development design consultant. |
| 50. | Oct. 31, 2009 | Bangladesh | Fraud, Corruption | Urban Transport | Ongoing. Work underway. |
| 51. | Nov. 4, 2009 | Canada | Fraud, Corruption | Water Supply and Sanitation | Declined because of a lack of jurisdiction and authorities unable to proceed due to Bank-imposed limitations on use of information referred. Revisions to Bank policy under consideration. |
| 52. | Nov. 11, 2009 | United States | Collusion in multiple rounds of bidding | Roads Improvement and Management | Declined because of lack of jurisdiction. |
| 53. | Nov. 13, 2009 | Kenya | Fraud, Corruption | Flood Mitigation | Investigations completed; charges filed against individuals; other investigations pending. |
| 54. | Nov. 25, 2009 | United Kingdom | Fraud | Economic Reform and Governance | Ongoing investigation. |
| 55. | Dec. 3, 2009 | Nigeria | Unsubstantiated allegations | Metropolitan Development and Governance | Outcome of investigation awaited. |
| 56. | Jan. 19, 2010 | Indonesia | Fraud | Infrastructure Reconstruction | Ongoing. Work underway. |
| 57. | Jun. 18, 2010 | Denmark | Fraud | Road Development | Awaiting update. |
| 58. | Jun. 18, 2010 | United Kingdom | Fraud | Road Development | Awaiting update. |
| 59. | Jun. 18, 2010 | Sudan | Fraud | Education Rehabilitation | Ongoing. Work underway. |

RESPONSE KEY:

Recent referral: With regards to referrals made in the last 6 months of the fiscal year, INT begins its follow-up inquiries several months after the initial referral has been made.

Ongoing: The referral recipient has ongoing contact with INT regarding the referrals.

Certain referrals were not included in this chart in order not to compromise ongoing investigations.

Referrals to international and multilateral bodies were not included in this chart.

Why should I report an allegation?

INT's investigations are primarily based upon the allegations it receives, so it is extremely important that those people who are involved in activities supported by Bank Group funds take the initiative to report suspected fraud or corruption. Your information can make the difference.

What should I report to INT?

For example, the following red flags can indicate larger fraud and corruption schemes:

- Multiple contracts are just below the procurement threshold
- Agent fees or the price of goods seem to be inflated
- The lowest bidder is not selected
- A single bidder wins repeated or unjustified sole source awards
- A contract has unjustified changes in terms or value
- A contract has multiple change orders
- Goods or services are of low quality or are not delivered altogether

Please report any instance of Bank staff involvement in suspected fraud and corruption including:

- Misuse of Bank Group funds or donor trust funds for personal gain or gain by another
- Abuse of position for personal gain or gain by another
- Solicitation or receipt of kickbacks or bribes
- Embezzlement

The more specific the information you provide, the better INT is able to follow up on your complaint. Share basic information—who, what, where, when and how?—and also try to include details such as:

- Project name
- Supporting documents
- Names of witnesses

Remember to let us know how you can be reached for further information or clarification.

What if I want to remain anonymous?

If you prefer to remain anonymous, the Bank may still investigate your complaint and do its best to examine the allegations that you provide. However, anonymous allegations are often more difficult to pursue and often do not fully address all of the complainant's concerns, but we respect your wish not to disclose your identity.

In order to protect the reputations and privacy rights of all parties, and to promote due process and the fairness of investigations, it is important that the information you provide be truthful, accurate, and given in good faith.

What is the World Bank's confidentiality policy?

If you choose to give us your name but want your name to remain confidential, the Bank will not reveal your name in any court or tribunal process and will not reveal any information that may disclose your identity to anyone outside the investigative team and its managers and attorneys unless the Bank determines you have made an intentional misrepresentation or omission, or the Bank is required to do so by law.

Contact INT directly at World Bank

Headquarters:

PH: +1.202.458.7677

FX: +1.202.522.7140

EM: investigations_hotline@worldbank.org

Operated by an independent third party

Open 24 hours a day

Interpreters available

Anonymous calls accepted

Acronyms

| | |
|--------|---|
| CRPD | Company Risk Profile Database |
| DFID | UK Department for International Development |
| DIR | Detailed Implementation Review |
| EBC | Office of Ethics and Business Conduct |
| EO | Evaluation and Suspension Officer |
| FPD | Financial and Private Sector Development |
| FIR | Final Investigation Report |
| FY | Fiscal Year |
| GAC | Governance and Anticorruption |
| GSD | General Services Department |
| IAB | Independent Advisory Board |
| IBRD | International Bank for Reconstruction and Development |
| IEG | Independent Evaluation Group |
| IFC | International Finance Corporation |
| IFI | International Financial Institution |
| INT | Integrity Vice Presidency |
| JV | Joint Venture |
| KESSP | Kenya Education Sector Support Project |
| MDB | Multilateral Development Bank |
| MIGA | Multilateral Investment Guarantee Agency |
| MOU | Memorandum of Understanding |
| NGO | Non-Governmental Organization |
| NoSP | Notice of Sanctions Proceedings |
| NRA | Negotiated Resolution Agreement |
| OHR | Office of the High Representative in Bosnia and Herzegovina |
| OLAF | European Anti-Fraud Office |
| OPCPR | Procurement Policy and Services Group |
| OPCS | Operations Policy and Country Services |
| PIU | Project Implementation Unit |
| P-RAMS | Procurement Risk Assessment & Management System |
| PREM | Poverty Reduction and Economic Management Network |
| PSU | Preventive Services Unit |
| SAE | Statement of Accusations and Evidence |
| SFO | Serious Fraud Office (United Kingdom) |
| StAR | Stolen Asset Recovery Initiative |
| VDP | Voluntary Disclosure Program |
| VPHR | Vice President Human Resources |
| WBAT | World Bank Administrative Tribunal |
| WBG | World Bank Group |
| WBI | World Bank Institute |
| UNDP | United Nations Development Programme |
| UNODC | United Nations Office on Drugs and Crime |
| US | United States of America |

