

# Annual Report

INTEGRITY VICE PRESIDENCY FISCAL 2012

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**FINDING THE RIGHT BALANCE**





## Message from Robert B. Zoellick



Robert B. Zoellick

It is outrageous to steal from the poor. The World Bank Group has a fiduciary duty to ensure that our funds are being used for their intended purposes. Fighting corruption is therefore a deep expression of the World Bank Group's commitment to overcoming global poverty and boosting growth and opportunity. It is integral to our effectiveness as a development institution.

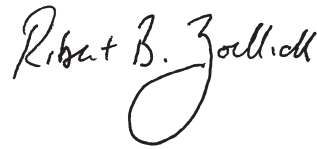
When I became President of the World Bank Group, corruption was perceived as an incurable disease in the developing world. Today, "clean business" is an intelligent priority for governments, institutions, large and small businesses, and a prominent feature of the development dialogue and action. Integrity is clearly articulated in the World Bank Group's operational policies, our new Governance and Anti-Corruption Strategy, and the dialogue and cooperation with our member countries and clients. Integrity is also one of the underlying principles of the Bank Group's modernization agenda of Results, Openness, and Accountability.

Working through INT, the World Bank Group is starting to make significant headway against corruption. We are practicing prevention and conducting high-impact investigations. We are using negotiated settlements and collective action with national and international anti-corruption authorities to make it clear that our investigations and debarments have bite. We are encouraging accountability through uncompromising sanctions and action-enforcing referrals. This report highlights this progress.

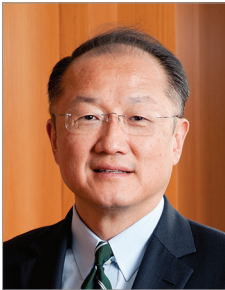
In 2012, the World Bank Group's Integrity Vice Presidency put a greater focus on cooperation. At the Spring Meetings in April, INT held a forum bringing together governments and businesses on the need to conduct integrity due diligence in infrastructure – one of the key sectors designed to accelerate growth. In June, the World Bank hosted the second meeting of the International Corruption Hunters Alliance, convening 200 leaders from around the world to discuss new technological tools and resources that can support the fight against global corruption. The members of the Alliance pledged to step up criminal action against corrupt officials, expand the range of information sharing among investigative bodies, and provide cross-cutting support to the work of national anti-corruption groups. The Alliance's work brings legitimacy to collective action against fraud and corruption, and is resonating far beyond the World Bank Group.

We need to maintain these gains, invest in new approaches, resources, and mechanisms, and always strive to improve our record. To do so will require energy, innovation, and a continued engagement with governments, the private sector, and the public to advocate for integrity at the global, regional, and country level. Every constituency has a stake in institutional integrity.

I want to thank our partners around the world and the many courageous women and men who cooperate with the Bank Group and give evidence to support INT. The Bank Group will always support those who stand up for good governance. I also want to thank the staff of INT—dedicated people who are on the front lines of the anti-corruption fight and work hard under often difficult circumstances. Leonard McCarthy and his directors for strategy and operations, Galina Mikhlin-Oliver and Stephen Zimmermann, have been dedicated leaders. Finally, my thanks go to the hard-working, and thoughtful staff of the World Bank Group whose commitment to public service bring the work of development to life, in all quarters of the globe. Integrity is an expression of that service. It has been my privilege to serve with you.



## Message from Jim Yong Kim, President of the World Bank



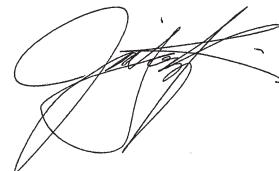
Jim Yong Kim  
President, World Bank

For the World Bank Group, fighting fraud and corruption is a vital responsibility. It is fundamental to the work we do each day to eliminate poverty and expand prosperity, to ensure that our efforts are effective and build sustainable change through good governance and sound institutions. I am honored to be joining the World Bank Group at a time when robust anti-corruption initiatives have become integral to our operations at every level—from local to global.

Maintaining a strong stance against corruption can—and will—present operational challenges. How can we balance thorough project vetting with swift implementation? Are we successful if our projects are clean yet corruption is pervasive elsewhere in the same environment? These kinds of questions beg a new approach to anti-corruption work as a cutting edge “science” that would bring greater clarity to the complex issues of understanding, measuring, and successfully tackling corruption worldwide.

At the same time, the World Bank Group will continue to work with patience and perseverance on the thornier parts of fighting corruption: prodding national authorities to act upon our referrals of investigative information; designing an Anti-Corruption Fund that equitably and purposefully distributes recovered assets and restitution payments to those who would benefit the most; and improving the efficacy and impact of our own sanctions system.

I look forward to working with Leonard McCarthy and the staff of the Integrity Vice Presidency to tackle corruption head-on. The fight against corruption is and will continue to be a critical priority for the World Bank Group.





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## EXECUTIVE SUMMARY

## Finding the right balance.

Anti-corruption and good governance is a corporate priority for the whole World Bank Group, and an effective means to eradicate poverty and improve lives. The fight against corruption cannot be won on only one front. And yet, neither can we spread limited resources too thin and diffuse the impact of any single effort. Deterring, investigating, and preventing corruption are all equally important goals. So is enacting tougher anti-corruption policies and encouraging political will where governance is weak. In FY12, INT focused on finding the right balance among the many competing anti-corruption priorities. In doing so, INT generated better results in its core investigative and sanctioning work while also helping Bank clients see and prevent the dangers of corruption.

**More finalized cases, more sanctions, all done faster.** As a result of INT investigations, the World Bank Group sanctioned 83 entities in FY12, or 247% more than in FY11. INT also closed 90 cases this fiscal year, substantiating allegations in 52% of the cases. INT prioritizes cases that have the potential for maximizing their deterrent effect, that involve significant fraud or corruption, and that pose more severe reputational risks to the Bank Group. In a continued effort to ensure cases are resolved as efficiently as possible, in the past fiscal year INT reduced the number of cases open longer than 18 months from 35 to 11. INT received over 10,000 complaints during FY12. Five hundred-twelve were opened as information items and subjected to preliminary review. INT then opened 81 as cases.

The full potential of 2010's cross-debarment agreement became readily apparent this fiscal year. The five signatory multilateral development banks (MDBs) have jointly recognized 122 debarments, compared to 37 in FY11.

**Negotiated resolutions with multinationals bolster corporate compliance and restitution.** Both Alstom and Oxford University Press acknowledged misconduct in projects financed by the World Bank. Specifically, Alstom Hydro France, Alstom Network Schweiz AG (Switzerland), Oxford University Press East Africa Limited, and Oxford University Press Tanzania Limited have each been debarred for three years. Their Negotiated Resolution Agreements (NRAs) with the World Bank Group stipulate that they continue to cooperate with INT and improve their internal compliance programs. In addition, Alstom is re-paying approximately USD 9.5 million and Oxford University Press USD 500,000 to remedy some of the harm done by the misconduct. Where warranted, the World Bank Group continues to target firms, large and small, with significant footprints in their respective sectors, and to work with them to help make development clean.

**Solid partnerships with national authorities enhance and broaden impact of World Bank Group investigations and deepen client country capacity to fight corruption.** Close cooperation with national authorities, including American, British, Canadian, Dutch, and Nigerian among others, has resulted in swift interventions by their law enforcement authorities in connection with World Bank Group investigations. For example, early sharing of investigative findings with the Nigerian government enabled them to take swift action to safeguard the relevant project and to undertake their own investigation.





In June 2012, INT once again convened the World Bank's International Corruption Hunters Alliance (ICHA), bringing together more than 200 officials from national and international investigative and law enforcement bodies in 110 countries. With a focus on how technology can aid anti-corruption efforts and more opportunities for attendees to receive specialized training, ICHA 2012 enhanced the resources and capabilities of those who need it most.

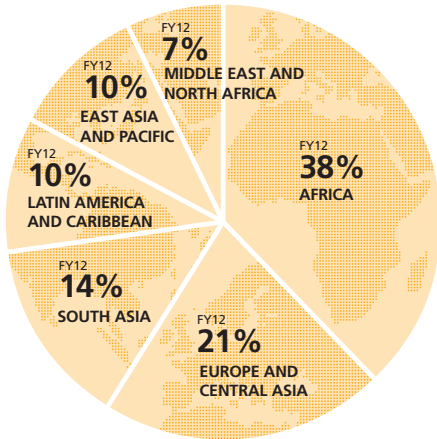
INT also entered into eight new memoranda of understanding with national authorities and development organizations from around the world. The 26 memoranda now in effect formalize the exchange of information, lay the groundwork for parallel investigations, and in some instances, provide agencies with additional authority to undertake investigations. These partnerships demonstrate how INT's work can improve the Bank Group's development impact and also drive a broader anti-corruption agenda.

**Bringing greater precision to preventive efforts.** INT's preventive services unit delivered 178 advisory engagements, providing both Bank staff and external stakeholders with ideas about how to strengthen the design of projects, address potential fraud and corruption issues in ongoing projects, and tighten policies at the sector, country or institutional level. INT helped build precautions against fraud and corruption into 84 high-risk projects that have a combined lending volume of USD 21.2 billion.

**Linking infrastructure investments to integrity.** A key sector for accelerating growth, infrastructure is also prone to corruption. As part of INT's efforts to expand its global impact, it convened ministers and private sector executives during the IMF/World Bank Spring Meetings to deliberate which solutions can best enhance integrity in infrastructure projects. Leveraging the convening power of the World Bank is essential to tackling a multifaceted problem like corruption.



INT opened the most cases in **Africa** and **Europe and Central Asia** in FY12.



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

➤ In FY12, INT identified high-risk projects in the World Bank's project pipeline for Africa and the East Asia and Pacific region. High-risk projects are those that are subject to ongoing investigations; projects implemented in a sector where fraud and corruption have previously been substantiated; and sectors with a high number of allegations. The information informed the Bank's portfolio risk management and was used by INT to determine which projects the preventive services unit will proactively follow. INT will replicate this assessment across the remaining regions in FY13.

REGION	FY07	FY08	FY09	FY10	FY11	FY12
Africa	33	31	36	58	21	31
East Asia & Pacific	37	29	23	27	8	8
Europe & Central Asia	18	15	28	30	12	17
Latin America & Caribbean	7	10	10	25	10	8
Middle East & North Africa	7	10	7	18	5	6
South Asia	14	57	34	36	17	11
<b>Grand Total</b>	<b>116</b>	<b>152</b>	<b>138</b>	<b>194</b>	<b>73</b>	<b>81</b>

INT had the most cases in the **transport, water, health, nutrition, and population and agricultural and rural sectors** in FY12.

➤ As fraud in the health sector is a recurring issue, the Bank is revising bidding documents to strengthen the drug quality assurance and testing requirements, and to restrict the purchase of untested drugs, drugs without a patent, or drugs procured from first-time manufacturers.

➤ More than 1,300 people benefitted from INT's training opportunities in FY12. New Integrity Clinics help Bank staff assess and mitigate fraud and corruption risks in Bank-supported projects. The clinics have focused on the road and health sectors as well as community driven development projects.

➤ The transport sector, especially roads, continues to be an area of focus for the World Bank, with an active project portfolio at the end of FY12 of 216 projects with total net commitments of USD 39 billion, or 23% of the Bank's portfolio. More than 300 ministers of transport and other officials received INT's report *Fraud, Corruption, and Collusion in the Roads Sector*.



CASES OPENED BY SECTOR	FY09	FY10	FY11	FY12
<b>Health, Nutrition and Population</b>	<b>30</b>	<b>26</b>	<b>10</b>	<b>14</b>
<b>Transport</b>	<b>27</b>	<b>38</b>	<b>14</b>	<b>14</b>
<b>Agricultural and Rural</b>	<b>10</b>	<b>23</b>	<b>7</b>	<b>13</b>
<b>Water</b>	<b>12</b>	<b>18</b>	<b>12</b>	<b>13</b>
Energy & Mining	8	11	3	8
Public Sector Governance	10	7	8	4
Environment	8	4	2	3
Urban Development	5	10	5	3
Education	13	24	0	2
Financial and Private Sector Development	3	9	6	2
Social Protection	4	5	2	2
Global Information/Communications Technology	2	1	0	1
No Sector	5	10	3	1
Economic Policy	1	0	0	0
Social Development	0	8	1	0
<b>Total</b>	<b>138</b>	<b>194</b>	<b>73</b>	<b>81</b>

## A single credible complaint triggers 14 investigations in eight countries.

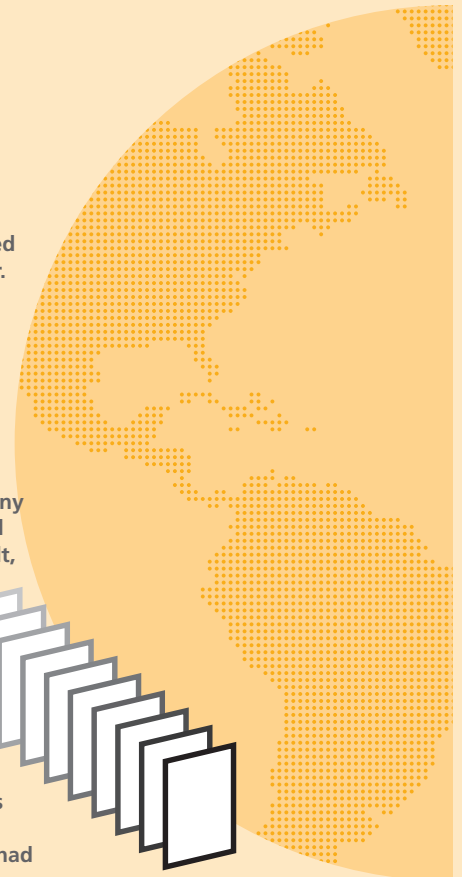


The complainant contacts INT with information that a company interested in bidding on a multimillion dollar World Bank-funded project allegedly had received confidential information about the tender.



An INT investigation finds that the company appears to have paid kickbacks to a World Bank short term consultant, and as a result, had obtained inside information about the procurement which gave it an unfair advantage in the bidding process.

INT's investigative team obtains documentary evidence indicating that the parties involved had similar arrangements for a number of World Bank contracts in other projects and regions. The company had won more than USD 50 million in contracts using the same *modus operandi*.





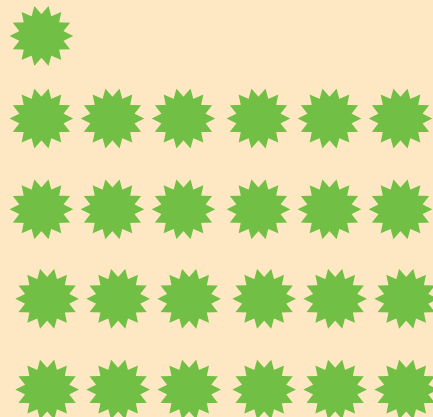
Based on INT's findings, the Bank's regional operations team enhances its procurement and technical reviews of the bidding process. A tainted award of contract is successfully prevented due to the close collaboration between INT and the Bank's operational and sector specialists.



Based on INT's investigation and referrals of investigative information, national law enforcement authorities launch a joint corruption investigation involving a number of World Bank-funded projects. The authorities execute search warrants, including for the now former short term consultant.

A Minister in one of the Bank's shareholder countries applauds the cooperation with the World Bank, and confirms the importance of his country's investigation into possible corruption perpetrated by the company.

The Bank is pursuing action against the company and its principals, and INT opens 13 investigations into other companies and projects affected by this corrupt scheme. An internal disciplinary decision against the former short term consultant has been taken and the individual is permanently barred from future hire in any capacity within the Bank Group.



## Demonstrating Impact

### Restitution payments recoup and redirect funds lost to fraud and corruption

Well-established firms with resources and experience are likely candidates to win contracts for major Bank Group-financed projects. Should the contracts be tainted by fraud or corruption, not only is there a financial loss, but also a resulting negative impact on the quality of the work delivered when funds for the implementation of the contract are diverted. To help redress this problem in appropriate circumstances, sanctions imposed on culpable entities may include a payment of restitution.

In May 2011, INT investigators approached Oxford University Press (OUP) about potential misconduct related to its Bank-financed projects in Africa. OUP conducted its own investigation into its operations and reported the findings to INT. OUP acknowledged that two of its subsidiaries made improper payments to government officials to secure contracts supplying textbooks. Based on these findings, the World Bank Group and OUP signed a Negotiated Resolution Agreement (NRA) which resulted in the debarment of the two subsidiaries for three years, as well as a USD 500,000 payment in order to remedy part of the harm done by the misconduct. Moreover, as part of a deferred prosecution agreement with the United Kingdom's Serious Fraud Office, OUP will pay an additional GBP 3.9 million, including GBP 2 million to educational charities in sub-Saharan Africa.

#### How does INT prioritize its investigations?

Focus on evidence that leads to high-impact results and that reduces future corrupt practices.

Give priority to:

- high-risk sectors, projects, and countries
- evidence of systemic corruption
- allegations that pose a critical reputational risk to the Bank Group and where there is need for immediate deterrence
- fact patterns that involve large sums of money in high-volume contracts

### Protecting funds from being wasted

One of the most important outcomes of an INT investigation is to protect World Bank funds from being misused. Before a single dollar was disbursed, the World Bank cancelled its USD 2.9 billion loan for the Padma Multipurpose Bridge in Bangladesh when INT's investigation found credible evidence that senior government officials and participating bidders were engaged in corrupt practices. Following the government's failure to meet the Bank's conditions which would allow the project to continue using an alternative turnkey-style approach, so long as a full and fair investigation was also conducted, in June 2012 the Bank reasserted its position "not [to] turn a blind eye to evidence of corruption."

INT also referred its findings in connection with the investigation to the Royal Canadian Mounted Police (RCMP), detailing allegations of corruption in the bidding processes for the bridge. The RCMP arrested and charged two former SNC Lavalin employees for breaking Canadian law in connection with the company's bid for a supervision consultancy contract on the project. The criminal action by the RCMP and the Canadian Director of Public Prosecutions is ongoing. SNC Lavalin has publicly acknowledged its temporary suspension from participating in Bank Group-financed projects.



Arne Hoel / World Bank

In FY12, INT also completed an investigation into six contracts for a roads project worth almost USD 300 million, following media reports about the collapse of an overpass that had been financed under the project. INT's investigation has found evidence of multiple instances of fraudulent invoicing and corrupt payments and INT has issued show cause letters to various companies. INT also shared information with the borrower country, which has asked its national authority to investigate.

In an investigation of Kellogg, Brown, and Root, Pty Ltd. (KBR Pty) in Vietnam involving a USD 1.6 million contract, INT substantiated allegations of fraud during the procurement process. A thorough inquiry established that KBR Pty misrepresented the availability of key consultants during contract negotiation and execution, which resulted in KBR Pty being awarded the contract and led to further delays in execution. INT's close coordination with regional counterparts prevented further disbursement of the contract balance. The World Bank also declared misprocurement on the contract and debarred KBR Pty for two years as part of a NRA. KBR Pty is the Australian subsidiary of the American firm KBR, Inc.

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### Protecting whistleblowers at the World Bank

The World Bank Group encourages its staff to take pride in the mission of the Bank Group and responsibility for ensuring it is carried out. World Bank Group staff are protected by a comprehensive whistleblower protection policy, which has been in effect since June 2008. During FY12, 38 staff reported to INT misconduct that may threaten the operations or governance of the World Bank Group. For the four years in which the policy has been in effect, 275 staff have made protected disclosures to INT. None have reported to INT, directly or indirectly, that they have been the subject of retaliation or have been threatened with retaliation as a consequence of their reports to INT.

### Keeping corporate procurement clean

The World Bank needs to be equally vigilant about fraud and corruption in its own day-to-day operations, both to set an example and to act as a responsible steward of its funds. This fiscal year INT investigated a staff member who abused his position as a senior project manager to engage in fraud, corruption, collusion, and conflicts of interest with nine Bank Group vendors and multiple external third parties, involving over 60 Bank Group contracts worth nearly USD 5 million. The staff member steered contracts towards companies in which he had financial interests and misappropriated over USD 350,000 through change orders and fraudulent contracts, which he engineered, directed and

authorized in his capacity as a project manager. As a result of INT's investigation, the staff member's employment with the Bank Group has been terminated, he forfeited a portion of his separation payments, and he is permanently ineligible for future employment with the Bank Group. The nine vendors are currently under investigation and the Bank is strengthening the policies and operating procedures that enabled the staff member to perpetrate his scheme for many years prior to detection.

### National authorities leverage World Bank investigative findings

The Bank's impact on fraud and corruption is maximized when we help our client countries strengthen their own institutions and processes and pursue misconduct perpetrated within their borders. The outcome of an investigation should not be limited to corrective measures taken by the World Bank. The World Bank therefore makes referrals to national authorities of its investigative findings or when it determines that national laws may have been broken. National authorities that act quickly on the information send a strong top-down anti-corruption message. These actions can range from investigating, prosecuting, and convicting in accordance with national laws those involved in defrauding or corrupting World Bank projects; filing civil suits to recover stolen assets; preventing firms from competing for government contracts; and, terminating public service employment. In FY12, the World Bank made 46 referrals of findings to agencies and authorities in more than 30 countries. (See page 47 for a list of referrals made to national authorities in FY12.)

Over the past year, the response to referrals by the World Bank has seen some improvement. For example, in August 2011, INT provided a referral to the Nigerian Minister of Finance of its investigative findings based on a review of the Malaria Control Booster Project. The referral documented nearly USD 295,000 in fraudulent and ineligible expenditures as well as evidence of misconduct by project officials. The government quickly removed the project officials and the Ministry of Finance created a task team to conduct a more in-depth audit. Their audit report confirmed INT's initial findings and documented approximately USD 700,000 in additional fraudulent and ineligible expenditures. The Bank and the government are working to get refunds for those amounts not spent in accordance with project requirements. Further, the government is reviewing the actions of the removed project officials to identify whether they have violated administrative, civil or criminal regulations. This decisive follow-up based on INT's work demonstrates how national authorities can use investigative findings to strengthen integrity in projects and also help advance the Bank's anti-corruption strategy.

### An evolving sanctions system

In 2007 the World Bank appointed an independent Sanctions Board. The Sanctions Board is a seven-member body comprised of four eminent international jurists and three senior Bank staff members, and is supported by a permanent Secretariat. It takes the final decisions in all contested cases based upon written submissions from the respondents and INT, and hears oral arguments upon request by either side. In FY12, the Sanctions Board broke important ground by issuing a detailed Law Digest of its past case decisions. In a second step at the end of May 2012 the Sanctions Board made its full decisions in eight cases available to the public for the first time.

Among the Sanctions Board's notable decisions was the debarment of the Chinese company Zhonghao Overseas Construction Engineering Co., Ltd. for fraudulent practices under the Sudan Emergency Transport and Infrastructure Development Project (Sanctions Board Decision No. 48). In this decision the Sanctions Board confirmed its previous decisions that applied the doctrine of *respondeat superior*, thus establishing the liability of an employer for the acts of its employees in cases of forgery or other fraudulent practices. The Sanctions Board found the lack of internal controls combined with strong financial incentives for Zhonghao's employees to aggressively pursue contracts particularly concerning

The Sanctions Board also determined the import of a party's silence. In one case (Sanctions Board Decision No. 50), the Sanctions Board reached its decision by considering whether the silent party heard and understood what was being said in a meeting it attended in silence and whether the silence in response to what was being said was, under the circumstances, so unnatural as to amount to implied acquiescence. Based in part on the persistent silence of the respondent company's director during one meeting and a statement by its managing director at another meeting, the Sanctions Board debarred ASCECON (Thailand) for corrupt practices for a minimum period of five years.



## Incentivizing the Private Sector to Partner in the Fight against Corruption

### Alstom agrees to an approximate USD 9.5 million restitution payment and corporate compliance requirements

In February 2012 the World Bank Group debarred Alstom Hydro France, Alstom Hydro Network Schweiz AG (Switzerland), and their affiliates for three years. The companies acknowledged their misconduct, which related to an improper payment by Alstom around 2002 of EUR 110,000 for consultancy services that were never rendered. The money went to an entity controlled by a former senior government official who had connections to a World Bank-financed hydropower project in Zambia.

As part of a Negotiated Resolution Agreement (NRA) with the World Bank, the companies agreed to make a restitution payment of approximately USD 9.5 million. After 21 months of debarment, Alstom Hydro France and Alstom Network Schweiz may convert their remaining 15-month debarment to a conditional non-debarment if they implement a corporate compliance program acceptable to the Bank and cooperate fully with the Bank. Also as part of the agreement, Alstom SA and its other affiliates are conditionally non-debarred. The companies have also been cross-debarred by other MDBs pursuant to the cross-debarment agreement signed in 2010.

For the World Bank, the Alstom settlement represents a wake-up call to global companies in the development business that their operations with the World Bank must be clean. Transparency International reacted to the news by saying, “This is a real disincentive for companies that consider gaining an advantage over competitors through dishonest means.”

Separately, Alstom has faced action in another jurisdiction. On November 22, 2011, the Swiss Office of the Attorney General (OAG) concluded their investigation into Alstom. In resolving the case, Alstom Network Schweiz AG was convicted of not having taken all necessary and reasonable organizational precautions to prevent bribery of public foreign officials. The Swiss also fined Alstom Network Schweiz AG CHF 2.5 million in addition to an amount corresponding to the estimated profits, approximately CHF 36.4 million.

### “Investment, Infrastructure, and Integrity: Public and Private Perspectives”

Given the importance of infrastructure investments to growth and development, and the vulnerability of the sector to fraud and corruption, the World Bank dedicated part of its annual Spring Meetings to focusing on how to better engage the private sector in its anti-corruption efforts, especially as they pertain to infrastructure projects.

“Investment, Infrastructure, and Integrity: Public and Private Perspectives” brought together the Honorable Cesar V. Purisma, Secretary of Finance, Philippines; His Excellency Agus D.W. Martowardojo, Minister of Finance, Indonesia; Karan Bhatia, Vice President and Senior Counsel, Global Government Affairs and Policy, General Electric; Peter Solmssen,



World Bank

“A cartel of the good [could] collude to make investors obey the law.”

— Peter Solmssen

Member of the Managing Board and General Counsel, Siemens AG; Julio Rojas, CEO for the Americas, Standard Chartered Bank; Janamitra Devan, Vice President and Head of Network Finance and Private Sector Development, World Bank Group; Rashad Kaldany, Vice President of Global Industries, IFC, World Bank Group.

Participants discussed the demand-side and supply-side of corruption and put forward recommendations on what the private and public sectors can do to improve integrity in infrastructure projects. The panelists identified a number of concrete actions to pursue: getting large companies to push for greater integrity throughout the entire supply chain; consider elevating the role and

Peter Solmssen, Member of the Managing Board and General Counsel, Siemens AG and Karan Bhatia, Vice President and Senior Counsel, Global Government Affairs and Policy, General Electric, at the INT-sponsored “Investment, Infrastructure, and Integrity: Public and Private Perspectives” event during the 2012 World Bank/IMF Spring Meetings

“Who you choose *not* to do business with sends a very strong message about corruption.”

— Julio Rojas

prestige of government procurement agents to reduce their vulnerability to corruption; thorough documenting of transactions to better certify what is happening in the field; requiring companies to publicly disclose any commissions they pay local agents; and, scrutinizing politically exposed persons.

### Voluntary Disclosure Program

To engage with those private sector firms that want to come clean about their misconduct, while rectifying their corporate behavior through a monitored compliance program, INT operates a Voluntary Disclosure Program (VDP) on behalf of the World Bank Group. In exceptional and narrowly defined circumstances where INT was not already investigating the misconduct, a company is eligible to apply to join the VDP. Over the past year, INT has been implementing updates to the VDP that were endorsed by the Board. These changes to the program have been in operation for recent applicants to the VDP and have had two main consequences. The first is that INT now gains faster access to key information which has been of significant value to important cases in the Bank's portfolio. Second, as the firms have had to implement compliance programs at earlier stages in the VDP than was previously the case, this has a more immediately verifiable impact on corporate conduct. Going forward, INT anticipates that these factors will continue to result in more firms coming forward to disclose and quicker resolutions to cases of increased significance. (See [www.worldbank.org/vdp](http://www.worldbank.org/vdp))

### Integrity compliance helps keep business clean for the long term

Generally, when the World Bank debars an entity it must meet certain compliance conditions before being reinstated and allowed to participate again in Bank Group-financed projects, otherwise known as debarment with conditional release. Especially within the private sector, firms that have rehabilitated their business practices serve as an example to their peers and are better partners for developing countries and MDBs.

On October 19, 2011, the World Bank Group debarred the British company The Crown Agents for Overseas Governments and Administrations, Ltd. for fraudulent practices committed in 2006 related to a World Bank-executed project. The sweeping debarment arose from a NRA and also covered 23 affiliates including Greenshields, Cowie & Co. Ltd., Four Millbank Nominees Ltd., Four Millbank Holdings Ltd., Great Peter Nominees Ltd., and Crown Agents USA, Inc. The company was also required to review, and where warranted, revamp its corporate integrity compliance and ethics program in line with World Bank Group standards. Similarly, the Bank Group sanctioned China Communications Company Limited (CCCC) based on the January 2009 debarment of its predecessor, China Road



and Bridge Corporation (CRBC) for its misconduct in the NRIMP I project. CCCC's debarment will be applied to its road and bridges line of business until 2017. The sanction can be reduced if CCCC implements a corporate compliance program satisfactory to the World Bank Group.

The Bank's Integrity Compliance Office (ICO) monitors integrity compliance by sanctioned entities and determines whether the conditions for release from debarment have been satisfied. In FY12, a total of 111 sanctions incorporated conditions relating to satisfactory compliance programs.

Bank Group experience and international best practice demonstrate that the establishment and implementation of an effective integrity compliance program is an important measure to help firms and individuals prevent and mitigate corruption, fraud, collusion, and other misconduct. Over recent years in particular, a global consensus has evolved as to the principles and components that should be incorporated in an effective integrity compliance program. These principles and components are reflected in the World Bank Group Integrity Compliance Guidelines (see [http://siteresources.worldbank.org/INTDOII/Resources/IntegrityComplianceGuidelines\\_2\\_1\\_11web.pdf](http://siteresources.worldbank.org/INTDOII/Resources/IntegrityComplianceGuidelines_2_1_11web.pdf)) These Guidelines provide guidance to debarred parties for adopting and implementing integrity compliance programs and form the basis for a decision by the ICO whether an entity has implemented an effective integrity compliance program.

During the fiscal year, Lahmeyer International GmbH and C.M. Pancho Construction Inc. were released early from their respective debarments following the ICO's confirmation that each had adopted and implemented satisfactory integrity compliance programs that adequately reflect the WBG Integrity Compliance Guidelines.

Through its engagement with debarred companies, the ICO has noted companies enhancing due diligence of their business partners and requiring their partners to adopt codes of conduct. In addition to monitoring the progress of implementation of integrity compliance programs by debarred parties, the ICO is working with Bank Group and civil society counterparts to improve the application of its integrity compliance guidelines in the context of small and medium enterprises, since these entities comprise the majority of sanctioned parties. As the ICO reviews the integrity compliance programs, best practices are being identified and disseminated among sanctioned parties, as well as in other fora focused on improving integrity compliance.

### **Working with IFC and MIGA to improve private sector integrity**

The World Bank Group as a whole is committed to integrity, which is why INT has strengthened its ties to the Bank Group's private sector arm, the International Finance Corporation (IFC) as well as the Multilateral Investment Guarantee Agency (MIGA). Together with its Chief Risk Officer, the Bank Group is working to bring consistency to identifying and managing integrity risks in all projects it supports. Recognizing that "clean business" is better business for all involved, INT, in partnership with IFC and MIGA, is partnering with the private sector to enhance integrity for better development outcomes.

## A More Global Response to Corruption

### More than 200 delegates unite to fight transnational corruption

When the World Bank convened the inaugural International Corruption Hunters Alliance (ICHA) meeting in December 2010, Alliance members agreed to step-up action against corrupt officials; pursue multi-jurisdictional prosecutions; track and return illegal proceeds; provide effective tools and information to prevent and attack corruption; and monitor and disclose investigative results. The 2012 meeting of the Alliance had two objectives: to demonstrate and discuss progress on the priority actions identified in the 2010 inaugural meeting, and to advance the global fight against corruption with a focus on technological innovations.

The second meeting was attended by more than 200 delegates, including 55 heads or senior staff of authorities. This event was structured around 18 practical sessions focusing on information technology, investigative best practices, and measuring the results of anti-corruption authorities. One hundred-five members received certificates for completing an intensive training session co-hosted with George Washington University and the Stolen Asset Recovery Initiative (StAR), which focused on conducting financial investigations and handling mutual legal assistance requests.

A technology expo showcased the most useful technology and forensic IT programs for investigators, with a focus on those solutions that could be most easily deployed in developing countries with less technological infrastructure. In addition, special thematic sessions at ICHA 2012 provided participants with knowledge and skills to address new challenges in the age of digital information, demonstrating forensic software; resources for using open source information in corruption cases; case management systems; software to detect collusive bidding patterns, and extract, organize and analyze electronic evidence from computers, servers, e-mail, mobile phones and other devices.

At ICHA 2010 members requested a study on settlements in foreign bribery cases and asset recovery to assess the effects of the increasing trend towards settlements on international cooperation and the recovery of assets. The objective is to provide a basis for evidence-based policy dialogue on this important and sensitive issue. StAR has completed the study, which examines the diverse forms of settlements, advantages of settlements, and current trends. It examines the implications of settlements in one jurisdiction on investigations and prosecutions in other jurisdictions, and the extent to which settlements impact on the possibility of obtaining mutual legal assistance or other forms of international cooperation in criminal matters.

ICHA 2012 hosted a special session about shell companies, which facilitate money laundering and corruption by concealing transactions and the identities of the actual “beneficial owners.” Experts gathered to discuss current trends in financial centers and strategies for enhancing integrity. A compendium of resources, case examples, draft laws and regulations that support integrity in financial centers, and the recommendations by ICHA



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members will be given a broad forum through blogging by ICHA members. This output will help sharpen the global spotlight on integrity in financial centers.

The fight against corruption necessitates an integral approach that considers not only the importance of enhancing the capacity of anti-corruption authorities, but also the many complementary institutions and agencies that can make their work successful, such as the judiciary and the police. During ICHA 2012 a special session for the Africa region discussed the problem of police corruption and how to discourage it. Police corruption plays a significant role in allowing the transfer of illegal assets across borders in Africa, and attacking this problem is a central aspect of the fight against corruption. A mechanism for sharing experiences about what works in fighting police corruption and taking a more integral approach in institution and capacity building among practitioners is now underway.

Other highlights included a session led by the World Bank's Independent Advisory Board (IAB) on measuring the results of anti-

At ICHA 2012, a technology expo showcased the most useful technology and forensic IT programs for investigators, with a focus on those technology solutions that could be most easily deployed in developing countries.





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### Memoranda of Understanding signed with INT, FY12

Ethics and Anti-Cooperation Commission (FEAC), Ethiopia

Islamic Development Bank (IsDB)

Japan International Cooperation Agency (JICA)

Liberia Anti-Corruption Commission

Minister of Security and Justice, The Netherlands

Office of the Ombudsman, Philippines

Public Ministry of the State of Minas Gerais, Brazil

United Nations Office of Internal Oversight (UN OIOS)

Carman Lapointe, Under-Secretary-General, United Nations Office of Internal Oversight, signs a memorandum of understanding with Leonard McCarthy, Vice President for Integrity of the World Bank Group in June 2012.

corruption authorities; cutting-edge lectures on money laundering, tracing and recovering the assets of corruption; a colloquium of prosecution experts; and, the adoption of a list of top ten pointers for crowd-sourcing in relation to anti-corruption efforts. Building on the World Bank's experience, certain members requested assistance in conducting comprehensive reviews of their anti-corruption architecture as well as guidance on developing standardized preventive solutions. (See <http://www.worldbank.org/icha>)

### Formal agreements facilitate joint investigations

During ICHA, INT entered into Memoranda of Understanding (MoUs) with the UN Office for Internal Oversight, the Philippine Office of the Ombudsman, and the Liberia Anti-Corruption Commission. In FY12, INT signed eight MoUs with national and multinational investigative. MoUs facilitate cooperation between INT and its various counterparts during active investigations. Existing MoUs have proven invaluable in advancing certain investigations, and with 26 total MoUs signed, INT continues to seek opportunities for all parties to benefit.

## Enriching the Bank Group's Governance and Anti-corruption Agenda

### Updating the GAC strategy

As the Bank Group modifies its operational structures and policies, INT must also be able to adapt to and support such changes. The Public Sector Governance Group, Operations Policy and Country Services Group (OPCS), and INT led the preparation of the World Bank Group's Governance and Anti-corruption (GAC) Update and Implementation Plan. The Update recognizes the central role of investigations in deterring fraud and corruption, and calls for systematizing good governance practices at the country and sector level by further strengthening collaboration between project task teams and INT's preventive services unit. As part of the GAC Update's new results framework, INT will use the agreed indicators to monitor the impact of its investigative and preventive work.

### Embedding integrity in Program-for-Results

In FY12, the World Bank introduced Program-for-Results (PforR) Financing. This instrument supports government programs instead of stand-alone projects, and links the Bank's disbursement to the achievement of specific results rather than individual expenditure items. PforR entails both stronger support for and reliance on country systems. In order to address the specific integrity risks of this lending instrument, INT worked closely with the OPCS and the Legal Vice Presidency to build sensible precautions into the PforR policies, procedures, and the revised Anti-corruption Guidelines by: (i) extending the applicability and protection offered by the Bank's debarment list to the entire program; (ii) enabling the Bank to assess the borrower's integrity system as part of an Integrated Fiduciary Assessment; (iii) ensuring that allegations and investigative facts are promptly shared with the Bank to enable timely and coordinated action; and (iv) maintaining as an additional safeguard the Bank's right to conduct audits and investigations under the program. Since the enactment of the new policy, INT provided advice and support to the task teams preparing PforR operations to ensure that fraud and corruption risks are appropriately addressed. In one of the PforR operations INT also participated in the preparation mission and continues to work closely with the team to ensure that the borrower can effectively collect and share with the Bank fraud and corruption information, conduct its own investigations, and enable the Bank to conduct independent investigations as necessary.

## Helping the World Bank Operate in High-Risk Areas

### Building integrity safeguards into high-risk operations

INT helped build precautions against fraud and corruption into 84 high-risk projects that have a combined lending volume of USD 21.2 billion. In addition, input was provided on 99 non-project activities such as Country Assistance Strategies, economic and sector work, fiduciary reviews, sector strategies, and policies. The examples below highlight the impact of INT's advice on project design and implementation.

- **Strengthening contract management in an energy project with escalating costs and collusion risks.** INT participated in a project supervision mission, responding to the task team's concerns of significant cost increases during the implementation of an energy project. INT's review identified several collusion red flags in the procurement process, including a substantial increase in the scope of work between when the bid submission and the contract award without re-tendering, and price variations in different lots for the same good by the same bidder. INT drafted a contract management plan to help the borrower verify the quality of materials against the contract, and helped to train the borrower to better identify similar integrity red flags.
- **Response to financial irregularities leads to reimbursement and resumption of civil works.** As a result of a financial report indicating unaccounted for funds in a project, INT was contacted by the task team leader (TTL) of three fisheries projects for assistance. Acting on INT's advice to conduct a disbursement review and site visits of construction locations, the task team identified USD 350,000 of missing funds and found a number of abandoned construction sites. As a result of these findings, the borrower replaced the Project Implementation Unit (PIU) Director, reimbursed the Bank for the missing funds and used its contract remedies and potential criminal investigations to get contractors to resume construction.
- **Portfolio restructured following risk review.** As part of an integrity risk briefing provided at the request of an incoming Country Director, INT reviewed the country's existing portfolio and identified a number of high risk projects with clear vulnerabilities for corruption. This information, along with other factors, was used by the Country Director to restructure the portfolio, allocating additional resources to projects whose contract management was strengthened through the hiring of consulting engineers.

### Supporting existing anti-corruption country systems

The World Bank is reorienting its support towards the strengthening of country systems. In support of this change, INT is putting resources towards working with World Bank task teams to improve project safeguards and to working with ICHA members and other national stakeholders to strengthen national integrity systems. The examples below illustrate the innovations in this area.

- **Construction companies raise concerns about corruption and admit to collusive practices.** A World Bank review of a middle-income country identified low participation by construction companies in World Bank-financed tenders. The Bank conducted a web-based survey and face-to-face interviews with contractors to probe for possible causes. The survey found that: (i) about half (51%) of the construction firms discuss with each other prices and other information prior to submitting bids, which strongly suggests collusive practices; (ii) almost two-thirds (61%) expect to give gifts to secure a government contract, which is about five times higher than the comparable figure in the recent IFC Enterprise Survey covering all industries; and (iii) only 27% and 19% of the firms were aware that they could complain to the Bank about procurement and integrity related matters, respectively. The key impediments to participating in government tenders were unclear evaluation criteria, small contract size, inadequate time





Lakshman Nadaraja / World Bank

to prepare bids, lack of fairness in the bid evaluation phase, and late payments. The World Bank is currently engaging the government and the European Commission on ways to address these systemic integrity issues. The Bank will also prepare bidding documents in the local language and make tender available through the local government procurement website to help attract more bidders.

- **A national anti-corruption agency adopts the Bank's draft manual on complaints handling.** Financial management, procurement and social development specialists from the Africa Region and INT analyzed the efficacy of national and project level complaints handling mechanisms in preparation for a Country Partnership Strategy. INT led the assessment of the public complaints handling mechanisms, which covered the respective mandates in this area of the Anti-Corruption Agency, the Ombudsman, the Supreme Audit Institution, and Public Procurement Agency. The work resulted in the first operational manual for the Anti-Corruption Agency, which it then formally adopted. The assessment also helped shape the design of an upcoming justice sector reform project.

A World Bank review of a middle-income country identified low participation by construction companies in World Bank-financed tenders. The World Bank is currently engaging the government and the European Commission on ways to address the related systemic integrity issues.

- **A joint review of a national integrity system identifies weaknesses and opportunities.** In close collaboration with operational colleagues in the Europe and Central Asia region, INT pioneered a series of strategic engagements. This work resulted in: (i) an assessment by the Government Accounting Office, which identified fraud and corruption in infrastructure, health, and IT investments as the top three threat areas; (ii) audit methodologies for detecting red flags and other integrity issues in the aforementioned three areas; (iii) recommendations for addressing specific control weaknesses and fraud related schemes in the road sector; and (iv) the identification of gaps and non-compliance issues in terms of conflict of interest rules, asset and income disclosure requirements, and national corruption reporting mechanisms. Outcomes were relayed to an intergovernmental group consisting of the anti-corruption agency, Ministry of Finance, the Financial Intelligence Unit, police, Ministry of the Interior, Prime Minister's Office, and Ministry of Internal Security.

## How Effective is INT's Preventive Advice?

### Reviewing recommendations in investigative reports

This fiscal year INT reviewed the recommendations included in its Final Investigation Reports (FIRs). The review identified a total of 129 recommendations made during FY09-11. About three-quarters were directed at actions to be considered by the World Bank (77%) and a quarter (23%) by borrower countries. The recommendations ranged from strengthening borrower due diligence on bids to clarifying conflict of interest provisions to instituting technical audits to verify that items delivered match the technical specifications. The review shows that most recommendations focused on project-level actions (32%), with actions at the sector (26%) and transactional level (22%) following. A few of the recommended actions rose to the country (13%), regional (2%) and policy level (5%). The majority of recommendations sought to improve the procurement processes (57%). Half of the recommendations proposed controls to strengthen prevention (50%) and almost one-third to enhance detection (29%). The remainder proposed remedial action, mostly in the form of misprocurement and cancellation. As a next step, INT will followup on its recommendations to determine the status of implementation and to gather feedback on the lessons learned.

### Taking stock of preventive advice

IN FY12, INT launched a review of its preventive advice to take stock of the advice provided during FY11-12. This review is part of INT's effort to assess the impact of its operational support. The review identified the following:

- **Region.** Most advisory engagements supported operations in Africa (55), followed by SAR (25), EAP and ECA (13 each), MNA (5), and LCR (3).
- **Project cycle.** Advice was mostly given to support the risk assessment and design of operations (71% in FY11 and 86% in FY12), with the remainder aimed at addressing integrity issues identified during project supervision.



- **Source of information.** INT used a variety of sources to underpin its advice, i.e., information derived from specific investigations, forensic audits, and voluntary disclosures (51% of all advice); operational information such as fiduciary assessments, reviews and evaluations (41%); recurrent fraud and corruption risks to which the project could be vulnerable (27%); and open sources (31%), e.g., credible reports from think tanks, the media, and borrower's own reports available in the public domain.
- **Risks.** Most integrity risks were identified in procurement (29% of the advice in FY12), e.g., risks of bid rigging, conflicts of interest, and weaknesses in due diligence procedures based on results of INT's investigations in the same sector, country or implementing entity. The second most important risk area was contract management (26%), e.g., heightened risks of fraud and corruption involving the supervision consultant, inappropriate personnel actions, and inadequate capacity of the implementing agency to effectively monitor the implementation of civil works. Other risks included financial management (21%), e.g., involving risks of billing irregularities, and inadequate control over assets; as well as country (19%), sector (16%), and project (6%) related matters.
- **Recommendations.** INT most frequently recommended external accountability measures, particularly in situations where the risks of corruption are high or the fiduciary capacity of the implementing agency are very low. Such measures ranged from strengthened complaint handling mechanisms (36%), forensic audits and targeted fiduciary reviews (21%), disclosure to improve civil society oversight over project implementation (16%), and World Bank supervision (26%). Other recommendations focused on internal control improvements, including measures to strengthen: due diligence on bidders and sponsors (19%), contract management (17%), procurement (10%), and financial management (9%). Examples of enhanced internal controls include establishing a late payment register to enable audit of possible irregularities in disbursement; the creation of detailed work plans that will permit supervisors to verify that civil works have been delivered according to the contract; and the review of bids for commonly occurring red flags.
- **Lending Instrument.** About two-thirds of all INT advice sought to build precautions into Investment Lending operations.

## What Lies Ahead—Meeting Challenges in FY13



Leonard McCarthy  
Vice President for Integrity,  
World Bank Group

I have never believed in resting on one's laurels. I am proud of what the staff of INT have accomplished in this past year. I am also inspired by the actions of our World Bank colleagues and other counterparts around the world who have pursued a vigorous anti-corruption agenda. Yet there is always more that can be done, and this is especially true when it comes to fighting corruption on behalf of the poor.

In the next fiscal year there are a number of areas in which we need to sharpen our efforts. First and foremost, we cannot achieve our more lofty ambitions or adapt to changes unless our day-to-day operations run as smoothly as possible. This is an ongoing challenge for every organization. INT has made notable efficiency gains, particularly in reducing its backlog of cases and the number of cases it has had open longer than 18 months. Still, we can do more; not only so that justice is delivered more swiftly, but also so that the essential operations of the World Bank continue without undue delays. Life-saving services and projects need to be delivered without the taint and expense of corruption.

Along the same lines, we must constantly evaluate how we measure success to ensure that our work has transformational and systemic impact. In FY10, INT committed to measuring itself against a set of qualitative and quantitative indicators. These indicators help INT measure its technical competence, but to truly measure impact, we will work to quantify the monetary value of our deterrent efforts.

Prevention of fraud and corruption has become a cornerstone of INT's work since the Volcker Panel review in 2007. Our challenge is to raise the bar. We need to be better at predicting and forecasting the risks. As our preventive methods evolve, we need to continue supporting our client countries so that they can similarly strengthen their own institutions and systems to fight corruption.

As we move forward, we will continue to benefit from the insights and advice of the IAB, which has provided us with important guidance and advice over the past three years. Chaired by Peter Costello, the IAB also includes three other eminent international anti-corruption and policy leaders: Chester Crocker, Simeon Marcelo, and Mark Pieth. The IAB has been instrumental in helping INT identify and address its challenges, and in pointing out ways in which we can be more effective.

We also recognize that our work could not succeed without the support and guidance of the Bank Group's senior management, the Audit Committee and the contributions that so many Bank Group staff make every day to helping client countries achieve development outcomes in ways that assure integrity and highest value for money. In the coming year, I look forward to strengthening our joint work with operational colleagues and enhancing collaboration with the increasing number of partners worldwide among the client governments, the private sector, the CSOs and other multilateral organizations who share our passion and commitment to fighting corruption. Together we can make a difference in removing corruption as an obstacle to lifting millions of people out of poverty and enabling them to live the life they deserve.

A handwritten signature in black ink, appearing to read "L. McCarthy". The signature is fluid and cursive, with a long, sweeping underline.

## Profiles from the Field:

### Richelieu Lomax, Liberian National, INT Litigation Analyst since 2008



Richelieu Lomax on mission in China

#### Q: What was your first experience with fraud or corruption and how did it shape who you are today?

I was working for an NGO in post-conflict Liberia, and it was my first real job. I was hired to be an administrative officer, and after a week of working, the administrator suddenly resigned. I was immediately saddled with all his responsibilities, and I didn't realize this guy had a corrupt scheme going at work! He had realized they were coming close to catching him, so he quickly resigned and attempted to hand over his corrupt arrangement to me.

One of the biggest parts of his empire was a car insurance scheme, since the NGO needed a lot of cars in its daily operations. The NGO had car insurance through a little known company that had the highest rates, double what the largest, most reputable insurer charged.

So the administrator took me to tea and explained to me how the whole thing worked, how each time the contract is renewed I would get my cut. I couldn't believe it. The guy also made sure he was involved in hiring everyone and they paid him a kickback every month. He created this small, informal bank within the office where people took loans from him, and at the end of every month before he paid their salary he would take out the amount they owed him plus interest. There was also a scheme where staff would buy cars with the organization's money and then rent them back to the organization. I later learned through my work at INT that these kinds of schemes are so typical.

I told the Deputy Country Director everything, and all of a sudden I was in the middle of what I guess you could call my first investigation. As a result of the investigation, we came to a better understanding of the scheme, which eventually led to the involved staff being fired.

There was this immense challenge of living in an impoverished environment and facing the demands placed on you because people believe that you're a "big shot." If you are in

an unhealthy culture, an unhealthy work environment, you risk eventually yielding, unless that opportunity is removed. That's why I've come to believe that strong deterrence is such an effective tool in fighting corruption.

**Q: What inspired you to join INT and the World Bank as opposed to another anti-corruption agency?**

Back in 2005 I had been a lawyer and got a new job working on justice sector reform in Liberia for the UN [United Nations]. We had the job of helping with reform of the Liberian judicial system, literally from scratch. We collected a lot of data on the lapses and needs of the system, and based on that created a training system for judges and lawyers. We rewrote laws, we literally built courts—because of the conflict everything was destroyed. It was a real fast-track learning process. Well, we quickly came to realize there were not enough lawyers to handle cases in all the court circuits. The law school in Liberia had a tradition of not graduating more than 20 lawyers a year, but we needed at least 100 flowing into the system to make up for the deficit.

To help with the problem, they began allowing UN lawyers with a master's degree to come teach at the law schools, and I told myself this is something I really want to do, I really want to teach. I wanted to not only influence the legal profession but also influence the next generation of Liberian leaders. I decided to get myself qualified to teach at the law school in Liberia, and to do that I needed to have a master's degree. That's why I applied to do my master's in the US, and I was fortunate to get accepted to Harvard. Towards the end of the program a team of people from INT came to do a seminar. They talked about corruption, about what the World Bank does, and I thought it sounded like a perfect fit for me. I started off in the internal investigations unit and then moved to the litigation team.

**Q: What does a litigation analyst do, and how is it different from being an investigator?**

INT is a specialized unit within the World Bank that does anti-corruption investigations and “prosecutions” or what we more fittingly call litigation, because ours is not a criminal prosecution, it's an administrative process. Each of INT's investigative teams is devoted to one of the six regions in which the World Bank works, and each regional investigative team has its own litigation analyst or specialist. As a litigation analyst, I give advice about the viability of the complaints that come in, whether they can turn into cases, what the standard of proof would be, and what sanctionable practice would be involved. I'm currently assigned to the East Asia and Pacific team. I go on mission with the team, which helps the investigators prioritize what evidence to collect on the ground. I help ensure that the facts that are collected are sufficient to make a case.

I am responsible for preparing a case to be sent to the relevant Evaluation and Suspension Officer, who, in turn, must agree that there is sufficient evidence to sanction. If so, the EO sends the papers out to the accused parties to respond and they can request to have a hearing before the Sanctions Board. If there is a hearing, I am expected to appear on behalf of the World Bank.

I also participate in the negotiation of settlements, which is one of the most interesting parts of my job. I am usually involved in the case from the beginning to the end, no matter what happens. That allows me to gain a lot of experience in all aspects of the case, from investigation to resolution. That's fun for me, but the most fulfilling part of the work is the development impact.

### **That's a great segue; what has been your most rewarding experience of the past four years?**

I have seen firsthand what the failure in delivering basic public goods can do. The level to which these goods are provided determine the stability of any polity, and when there is a failure there is total instability. It's not some theory for me. The civil war in Liberia lasted 15 years, disrupting our lives and throwing us back in time about 100 years. Having inherited that burden I told myself that the things I do in my career will matter, at least as they relate to developing countries.

For me working for INT is all about trying to help maintain stability. For countries like mine where most of the government institutions have failed to provide public goods, people see international organizations as their last resort. I know it because I have lived it, I have lived in a displacement camp, I have lived on UN handouts, and if they hadn't existed, I would have starved to death. People looked more to international institutions to deliver than to their own government. People now think that if, for example, they wait for the government to build a bridge, they're going to wait forever. But if they hear that it's a World Bank funded project, hopes suddenly spring high. To have a situation where that is not the case, where a World Bank-funded project ended up becoming a victim of corruption, it's like you are dashing their last hope.

In the last several years our work has become an even greater deterrent because of the cross-debarment regime. For most companies that work primarily with international development organizations, that means they're out of business for the length of the debarment period. The message has been broadcast loud and clear, and far and wide to the industry players: when it comes to a World Bank project, you better choose not to be corrupt because we will not let you get away with it.

From the very beginning of my career I decided I wasn't going to do things I didn't like. Here I get to do a job I love and I get to do it for a good cause—I impact an area of the world that I come from. I can go back after my years of service at the World Bank and say, look, I helped make a difference. It can't get better than that.





Stanislas Fradelizi / World Bank

# FY12 Facts and Figures

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## 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 five practices for which the Bank Group may impose sanctions on entities doing business with the Bank Group. (See [www.worldbank.org/sanctions](http://www.worldbank.org/sanctions)) Evidence of misconduct by government officials is generally referred to national authorities for action.

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/C3YIALVBFO](http://www.go.worldbank.org/C3YIALVBFO))

### External Investigations

#### COMPLAINT INTAKE

INT receives complaints—anonymous and named—from all over the world and from many sources. Of external cases opened in FY12, 32% of complaints received came from Bank Staff, 49% of complaints were from non-Bank sources, and 18% 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.

INT screens the complaints it receives to ensure they pertain to one or more sanctionable practice and involve a Bank Group-supported activity. If the complaints meet both criteria, INT opens an information item. In determining how to prioritize the complaint for a full investigation, INT considers the amount of funds involved, the quality of the information or evidence, the potential impact of the case, the ability to investigate and the possible reputational risk to the World Bank Group, and so forth. When an information item involving Bank-Group activities is not opened for a full investigation, INT works with operational staff or other interlocutors to address the issues raised.

In FY12, INT opened 512 information items from 84 countries (not including Advanced Fee Fraud complaints), of which 434 involved a Bank Group supported activity, thereby warranting further initial review. Last fiscal year, INT opened 460 information items.

#### 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 *"more likely than not."* 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 before commencing a full investigation. Through continued efforts, INT increased its substantiation rate over the course of the fiscal year, from 46% in FY11 to 52% in FY12. The number of new cases opened was 10% higher in FY12 (81) than the previous fiscal year (73).

#### In FY12, of the external cases opened, most involved allegations of fraud and corruption.

TYPE OF ALLEGATION	FY09	FY10	FY11	FY12
Coercion	1	3	0	0
Collusion	42	60	67	12
Corruption	26	28	48	40*
Fraud	38	41	97	27

\*Of the 40 cases under investigation for corruption: 12 have elements of fraud; 6 have elements of collusion; 3 have elements of fraud and collusion.

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

#### External investigations performance indicators, FY08–FY12

CASES	FY08	FY09	FY10	FY11	FY12
Information Items Opened	399	444	441	460	512
Investigations Opened	152	138	194	73	81
FIRs Finalized	N/A	35	47	46	48
Investigations Closed	169	153	238	83	90
<i>Cases Substantiated</i>	29	39	42	38	47
<i>Cases Unsubstantiated</i>	23	32	57	32	29
<i>Cases Unfounded</i>	15	15	18	8	6
<i>Cases Referred/</i>					
<i>Not investigated</i>	102	67	121	5	8
Referrals to countries/MDBs	N/A	9	32	40	46

#### FINAL INVESTIGATION REPORTS

When INT substantiates a case, it produces a Final Investigation Report (FIR). FIRs are sent to the Bank's 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 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.

Since FY10, INT has been tracking case turnaround time, striving to ensure that the maximum time between opening a case and submitting the FIR to the President of the World Bank is, as was recommended by the Volcker Panel in 2007, no more than 12 to 18 months, depending on the complexity of cases. Of the 90 investigations closed in FY12, 52% were closed in less than 12 months and 73% were closed in less than 18 months. The median duration of all investigations completed in FY12 was 11.5 months. In addition, over the course of FY12, INT reduced the number of investigations open longer than eighteen months from 35 to 11.

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 47 for list of referrals made to national authorities in FY12); and redacted reports, which are provided to the Bank Group's Board of Executive Directors for information and, after the completion of all related sanctions proceedings, made publicly available. (See [www.worldbank.org/integrity](http://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, which was previously called a Proposed Notice of Sanctions Proceedings). The SAE is presented for review to the relevant Bank Group's Evaluation and Suspension Officer.

#### Sanctions System and Results, FY08–FY12

	FY08	FY09	FY10	FY11	FY12
Sanctions Cases Submitted	3	39	43	27	25
to OES by INT					
Sanctions Cases (NoSPs or NoTSs)	3	10	29	33	33
Issued by OES to Respondents*					
Negotiated Resolution	N/A	N/A	N/A	11	16
Agreements Submitted					
to OES by INT^					
Firms and Individuals	2	32	51	55	60
Temporarily Suspended by OES					
Firms and Individuals Sanctioned**	8	13	45	34	84

\* NoSPs: Notices of Sanctions Procedures; and, NoTS: Notices of Temporary Suspension.

^ Negotiated Resolution Agreements (Settlements) were first put into effect in FY11.

\*\* In FY11, 53% of cases involved an appeal (and 47% did not); measured by respondents, 37% of respondents appealed (and 63% did not). In FY12, 23% of cases involved an appeal (and 77% did not); measured by respondents, 20% of respondents appealed (and 80% did not).

#### 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 through a two-tier process involving the Evaluation and Suspension Officers (EOs) and the Sanctions Board. Both the relevant EO and the Sanctions Board are independent of INT. The EOs review the case brought by INT 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 becomes final. If the respondent contests the recommended sanction, the Sanctions Board will consider the case, which may include a hearing. (See page 40 for list of entities debarred in FY12.)

#### **NEGOTIATED RESOLUTION AGREEMENTS**

Firms or individuals may explore the option of settling through a Negotiated Resolution Agreement (NRA). Resolving a case through a NRA can save considerable resources, while also 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. INT is responsible for the drafting, negotiation, and execution of NRAs. The agreements are, however, subject to review by the General Counsel. Moreover, the relevant 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.

### **Internal Investigations**

In addition to investigating allegations of fraud and corruption involving Bank Group staff and corporate vendors, INT mainstreams lessons learned through training and other activities to promote the reporting, detection and prevention of fraud and corruption within the WBG's corporate arena and participates in outreach programs as a member of the Bank's Internal Justice System.

#### **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 abuse of position for personal gain, misuse of Bank Group funds or trust funds, fraud, corruption, collusion, and attendant conflicts of interest; (ii) corporate fraud and corruption (which includes allegations against staff involving abuse of position for personal gain, misuse of Bank Group funds or trust funds, embezzlement, fraud, corruption, collusion and attendant conflicts of interest; and (iii) fraud, corruption, collusion, coercion or obstruction (the five sanctionable practices) by corporate vendors.

**Upon receipt of a complaint, INT follows a consistent three-stage process: (i) intake and evaluation; (ii) preliminary inquiry; and (iii) investigation.**

- (i) *Intake and evaluation* to assess whether complaints warrant further review as alleged misconduct under Staff Rule 8.01;

- (ii) *Preliminary inquiry* to establish whether there is reasonably sufficient evidence to initiate a full investigation and thus serve the accused staff member with formal notice of allegations and an opportunity to respond; and
- (iii) *Full investigation* to establish the complete facts and circumstances of the matter, including the collection and assessment of evidence that is both inculpatory and exculpatory.

If the investigation establishes sufficient evidence to a “clear and convincing” standard of proof, INT prepares a final report of investigation, inclusive of all supporting evidence, and provides it to the subject staff member for comment.

Thereafter INT finalizes the report, incorporating the staff member’s comments thereto and any INT rebuttal to those comments, and submits the report to the Bank’s Vice President for Human Resources (VPHR) for decision.

The VPHR then decides, on the basis of the investigative findings, whether misconduct occurred and what disciplinary measures to impose, if any, up to and including termination.

A staff member has the right to appeal the VPHR’s disciplinary decision to the World Bank’s Administrative Tribunal whose judgments are binding on the WBG.

If INT believes that the information it obtains during the course of a staff misconduct investigation indicates that the laws of a member country may have been violated, INT may refer the alleged violation(s) to local or national authorities for law enforcement purposes.

Conversely, during the course of a preliminary inquiry or full investigation, INT may establish sufficient evidence to show that the allegations are unfounded, thus clearing the staff member of any wrongdoing. This is an equally important outcome for both the World Bank Group and staff.

#### **FY12 CASE PORTFOLIO**

In FY12, INT received 110 complaints, of which 43 were opened as new cases and underwent a preliminary inquiry. Of the remaining 67 complaints, 25 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. Thirty two complaints involved issues not within INT’s investigative mandate and were referred to other appropriate venues within the Bank for intervention. The remaining 10 complaints (received in the latter part of the FY) were held open pending the receipt of further information to evaluate whether opening as cases is warranted.

In FY12, INT dealt with a total of 79 cases, 36 of which were carried over from the prior fiscal year and the 43 cases that were opened as new cases during FY12. Of the 36 carried over cases, 28, or about 78%, were completed and closed in FY12. Of the total 79 cases, 46 were staff preliminary inquiries, 9 were Staff Rule 8.01 investigations, and 24 were ac-

tive vendor cases.

As a result of this work, INT substantiated 12 cases, of which 10 involved staff and two involved vendors.

During the course of its preliminary inquiries, INT also established sufficient evidence to show that the allegations were unfounded, thus clearing nineteen staff members of any wrongdoing.

In all, 51 cases were closed in FY12: 21 involving corporate matters (12 staff cases and 9 vendor cases) and 30 cases relating to operations.

#### **FY12 CASE OUTCOMES<sup>1</sup>**

The substantiated cases in FY12 included:

- (i) fraud, corruption, abuse of position, misuse of Bank funds and conflicts of interest by a TTL involving Bank-financed projects
- (ii) willful misrepresentations and collusion by a staff consultant in order to circumvent the Bank Group's corporate procurement rules
- (iii) corrupt practices *vis à vis* soliciting from a third party a percentage of that party's consultancy earnings in exchange for having helped the third party obtain consultancy contracts unrelated to the Bank
- (iv) false and fraudulent payment claims by a short term consultant.

The four foregoing cases have been submitted to the World Bank's VPHR for disciplinary decision.<sup>2</sup>

- (v) fraud, corruption, collusion, abuse of position, misappropriation of Bank funds and conflicts of interest by a staff member involving multiple corporate procurement contracts and multiple vendors spanning four regions over a 10-year period; the staff member's employment has been terminated, he forfeited a portion of his separation payments, and he is now permanently ineligible for employment with the Bank Group
- (vi) corrupt and collusive practices resulting in a staff consultant's receipt of over USD 500,000 in kickbacks involving Bank-financed projects (The now former consultant is permanently barred from future hire in any capacity within the Bank Group)

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<sup>1</sup> On another staff case, which had been closed at the end of FY11, in which INT substantiated fraud involving benefits and allowances, the staff member was disciplined in FY12, including demotion in grade and ordered to pay almost USD 6,000 in restitution to the Bank.

<sup>2</sup> Once the final decisions are issued by VPHR, INT will report the outcomes to the Audit Committee through its quarterly reports and include them in the FY13 annual report.



- (vii) embezzlement of approximately USD 12,000 in Bank funds through manipulation of accounting transactions (The staff member's employment with the World Bank has been terminated and the staff member is permanently barred from future hire in any capacity within the Bank Group)
- (viii) fraudulent practices involving a vendor which knowingly omitted material information in its vendor registration submission to the Bank (The case is pending a vendor eligibility review by the General Services Department, based on INT's findings, which may lead to debarment or conditional debarment from receiving Bank Group-funded contract awards)
- (ix) false invoicing and conflict of interest involving a corporate vendor on an IFC project financed in part with trust funds (The Bank has declared the vendor ineligible to receive Bank Group contracts for a period of three years)
- (x) three separate cases, involving a total of five staff members who were found to have engaged in various conflicts of interest (INT's findings in those cases were referred to either EBC or management for appropriate follow-up and intervention)

**Where warranted, referrals to national authorities for criminal investigation and prosecution have been made.**

**Internal Investigations Cases, FY12:**

	OPERATIONAL (STAFF)	CORPORATE (STAFF)	VENDOR	TOTAL
Carried over from FY11	24	7	5	36
Opened	17	8	18	43
<b>Total</b>	<b>41</b>	<b>15</b>	<b>23</b>	<b>79</b>
<b>Closed</b>	<b>30</b>	<b>13</b>	<b>8</b>	<b>51</b>
Substantiated	4	6	2	12
Unsubstantiated	8	2	0	10
Unfounded	16	3	6	25
Referred	2	2	0	4*
<b>Ending caseload</b>	<b>11</b>	<b>2</b>	<b>15</b>	<b>28</b>

\*These four cases were referred after preliminary inquiry was completed.

**Overview of internal investigation outcomes, FY08-FY12**

CASES	FY08	FY09	FY10	FY11	FY12
Substantiated	24	24	4	6	12
Unsubstantiated	23	23	16	11	10
Unfounded	7	24	7	11	25
Referred/not investigated	20	28	18	39	36
<b>Closed</b>	<b>74</b>	<b>99</b>	<b>45</b>	<b>35</b>	<b>83</b>

**TURN AROUND TIME**

INT aims to complete internal cases within nine months (270 days). In FY12, the average turnaround time for the 51 cases closed was 261 days (about nine months), whereas in FY11 the average turnaround time for the 35 cases closed was 331 days, or approximately 11 months.

#### **LESSONS LEARNED**

In the beginning of FY12, INT prepared a four-year retrospective of investigated staff cases involving fraud and corruption allegations that identified certain staff behaviors and activities – both deliberate and inadvertent – which exposed the Bank to heightened reputational risks. On the one hand were cases in which staff who were in a conflict of interest (CoI) situation deliberately engaged in fraudulent, corrupt or collusive practices on projects or in the corporate arena; on the other hand were cases which found that staff engaged in behaviors or activities that inadvertently created a real or apparent CoI, without any attendant attempts to commit fraud or corruption. The retrospective also identified measures to mitigate the risks to the Bank Group as a result of each of these situations. This result led to a joint initiative between INT and EBC in developing a 9-point action plan to strengthen early identification, management and resolution of CoI through policy reforms, revised practices and better training. Work on the action is continuing into FY13 by a multi-disciplinary set of working groups in partnership with Human Resources, the Legal Vice Presidency, OPCS, the IFC and others.

## Entities Debarred in FY12

	COMPANY/INDIVIDUAL	COUNTRY	GROUND FOR SANCTION	TERM OF SANCTION
1	Bofra S.A.R.L.	Republic of Congo	Fraudulent Practice 1999 Guidelines	4
2	Grasco Company	Republic of Congo	Fraudulent Practice 1999 Procurement Guidelines	3
3	Asdecon Corporation Company Limited	Thailand	Corrupt Practices 2002 Consultant Guidelines	5
4	Contransimex Nigeria Limited	Nigeria	Fraudulent Practice 2004 Procurement Guidelines	2
5	De Lorenzo Of America Corp., S.A. De C.V.	Mexico	Fraudulent Practice 1999 Procurement Guidelines	2
6	Income Electrix Limited	Nigeria	Fraudulent Practice 2004 Procurement Guidelines	6 months
7	M/S Concept Pharmaceuticals Ltd.	India	Fraudulent Practice 1996 Procurement Guidelines and 2004 Procurement Guidelines	3
8	Marketing Enterprises Latin America, LLC	United States	Fraudulent Practice 1999 Procurement Guidelines	2
9	Team Engineering & Management Consultants (Team)	Arab Republic of Egypt	Fraudulent Practice 2004 Consultant Guidelines	2
10	<b>Zhonghao Overseas Construction Eng. Co., Ltd.</b>	China	Fraudulent Practice 2006 Procurement Guidelines	2
11	Asia Communications Co., Ltd	Cambodia	Fraudulent Practice, 1999 Procurement Guidelines	3
12	Mr. Meas Sina	Cambodia	Fraudulent Practice 1999 Procurement Guidelines	3
13	Al-Ajam Company For General Contracting Ltd. (Al-Ajam)	Iraq	Fraudulent Practice 2004 Procurement Guidelines	4
14	Vital Supplies And Logistics Ltd	Uganda	Fraudulent Practice 2006 Procurement Guidelines	2
15	Multistar Holdings Limited (Formerly Multi-Con Systems Pte Ltd.)	Singapore	Corrupt Practice 1999 Procurement Guidelines	4
16	Alstom Hydro France (Formerly Alstom Hydraulique SA or Alstom Power Hydraulique)	France	Corrupt Practice 1996 Procurement Guidelines	3
17	Alstom Network Schweiz Ag/ Alstom Network Switzerland Ltd./ Alstom Network Suisse (formerly known as Alstom Prom Ltd.)	Switzerland	Corrupt Practice 1996 Procurement Guidelines	3
18	Compagnie De Montages Electriques A L'exportation - Comelex	France	Fraudulent and Corrupt Practices 1996 Procurement Guidelines	3
19	Forces Hydrauliques De Meuse - F.H.Y.M.	France	Fraudulent and Corrupt Practices 1996 Procurement Guidelines	3
20	Geci - Groupement D'etudes Et De Constructions Industrielles	France	Fraudulent and Corrupt Practices 1996 Procurement Guidelines	3

\*Cross-debarment pending. All other entities have been cross-debarred.

	COMPANY/INDIVIDUAL	COUNTRY	GROUND FOR SANCTION	TERM OF SANCTION
21	Hymec - Societe D'equipement Hydromecanique	France	Fraudulent and Corrupt Practices 1996 Procurement Guidelines	3
22	Tianjin Alstom Hydro Co. Ltd.	China	Fraudulent and Corrupt Practices 1996 Procurement Guidelines	3
23	Dhema Agencies Limited	Uganda	Fraudulent Practice 2006 Procurement Guidelines	3
24	Mr. Rogers Segawa	Uganda	Fraudulent Practice 2006 Procurement Guidelines	3
25	Mr. Tith Voern	Cambodia	Corrupt Practice 1999 Procurement Guidelines	4
26	Nexus Uganda Limited	Uganda	Fraudulent Practice 2006 Procurement Guidelines	3
27	Sincam Water Technology Co., Ltd	Cambodia	Corrupt Practice 1999 Procurement Guidelines	4
28	Eastern Builders And Engineers Limited	Uganda	Fraudulent and Corrupt Practice 2006 Procurement Guidelines	6
29	Mr. Gurdial Singh	Uganda	Fraudulent and Corrupt Practice 2006 Procurement Guidelines	3
30	Constructora Emconcimet	Bolivia	Fraudulent Practice 2004 Procurement Guidelines	4 years 5 months
31	Constructora Slim	Bolivia	Fraudulent Practices 2004 Procurement Guidelines	2 years 5 months
32	Edwin Ditter Acarapi Colque	Bolivia	Fraudulent Practices 2004 Procurement Guidelines	2 years 5 months
33	Servicios De Ingenieria Y Construccion Vargas Rios Constructora S.I.C.	Bolivia	Fraudulent Practices 2004 Procurement Guidelines	2 years 5 months
34	Sugdiyong Limited Liability Company	Tajikistan	Fraudulent Practice 1999 Procurement Guidelines	3
35	Constructora Katingcar	Guatemala	Fraudulent Practice 1999 Procurement Guidelines	2 years 1 month
36	Constructora Toledo	Guatemala	Fraudulent Practice 1999 Procurement Guidelines	2 years 1 month
37	Kellogg Brown & Root Pty. Ltd. (Australn. Sub. of KBR Inc.)	Australia	Fraudulent Practice 2004 Consultant Guidelines	2
38	Pt Amythas Experts & Associates	Indonesia	Fraudulent Practice 2006 and 1999 Consultant Guidelines	3
39	Babcon Uganda Limited	Uganda	Fraudulent Practice 2006 Procurement Guidelines	2
40	Mr. Allan Makabayi	Uganda	Fraudulent Practice 2006 Procurement Guidelines	2
41	Mr. Dmitry Gennadyevich Kostousov	Russian Federation	Fraudulent Practice 1999 Procurement Guidelines	7
42	Al-Sami Co. Group For General Contracts Ltd.	Iraq	Fraudulent Practice 2004 Procurement Guidelines	5

## Entities Debarred in FY12 (continued)

	COMPANY/INDIVIDUAL	COUNTRY	GROUNDS FOR SANCTION	TERM OF SANCTION
43	URALKOTLOSERVICE PKF ZAO (TAMBOV) (Also Known As Uralkotloservice Commercial Production Firm Closed Joint-Stock Co.)	Russian Federation	Fraudulent Practice 1999 Procurement Guidelines	7
44	Uralkotloservice PKF ZAO	Russian Federation	Fraudulent Practice 1999 Procurement Guidelines	3
45	J. Mitra & Co. Private Limited	India	Fraudulent Practice 1999 Procurement Guidelines	1 year six months
46	IG-Togo SARL	Togo	Fraudulent Practice 2006 Procurement Guidelines	2
47	Association "Hidrostroitel"	Tajikistan	Fraudulent Practice 1999 Procurement Guidelines	3
48	Closed Joint Stock Co "Sharora"	Tajikistan	Fraudulent Practice 1999 Procurement Guidelines	3
49	Metal Engineering EOOD	Bulgaria	Fraudulent Practice 1999 Procurement Guidelines	8
50	Mr. Valeri Angelov	Bulgaria	Fraudulent Practice 1999 Procurement Guidelines	8
51	Vratsa Invest Group OOD	Bulgaria	Fraudulent Practice 1999 Procurement Guidelines	8
52	Intreprinderea Mixta Moldo-Irlandeza "Romany Gaz Group" S.R.L.	Moldova	Fraudulent Practice 2006 Procurement Guidelines	3
53	Mr. Roman Nicu	Moldova	Fraudulent Practice 2006 Procurement Guidelines	3
54	Broadway Engineering Services Limited	Uganda	Fraudulent and Corrupt Practice 2006 Procurement Guidelines	6
55	Constructora Citeco	Bolivia	Collusive Practices 2004 Procurement Guidelines	2 years 5 months
56	Constructora Extracon	Bolivia	Collusive Practices 2004 Procurement Guidelines	2 years 5 months
57	John B. Katende	Uganda	Fraudulent and Corrupt Practice 2006 Procurement Guidelines	6
58	Servicios Industriales En Construccion De Metalmeccanica Y Petroleras "SICOMETP"	Bolivia	Fraudulent and Collusive Practices 2004 Procurement Guidelines	2 years 5 months
59	Nguyen Xuan Doan	Vietnam	Fraudulent Practice 2004 Consultant Guidelines	5
60	Social And Environmental Development Joint Stock Company	Vietnam	Fraudulent Practice 2004 Consultant Guidelines	5
61	Ayemo Investments Limited	Uganda	Fraudulent Practice 2006 Procurement Guidelines	5
62	Mr. Alex Opuu	Uganda	Fraudulent Practice 2006 Procurement Guidelines	5

\*Cross-debarment pending. All other entities have been cross-debarred.



	COMPANY/INDIVIDUAL	COUNTRY	GROUNDS FOR SANCTION	TERM OF SANCTION
63	China First Metallurgical Construction Corporation (CFMCC)	China	Fraudulent Practice 1999 Procurement Guidelines	3
64	Öztas Insaat, Insaat Malzemeleri Ticaret Anonim Sirketi	Turkey	Collusive Practice 2004 Procurement Guidelines	3
65	Supachai Prechaterasat	Thailand	Corrupt Practice 2002 Consultant Guidelines	7
66	Tis Consultants Company Limited	Thailand	Corrupt Practice 2002 Consultant Guidelines	7
67	Bittohin Chasi Somaj Kallyan Sangstha (BCSKS)	Bangladesh	Fraudulent Practice 1999 Consultant Guidelines	4
68	Md. Abdur Razzak	Bangladesh	Fraudulent Practice 1999 Consultant Guidelines	4
69	Asmontage Eood	Bulgaria	Fraudulent Practice 1999 Procurement Guidelines	7
70	Mr. Sealtiel Orozco	Nicaragua	Fraudulent Practice 2004 Procurement Guidelines	2
71	Telecomunicaciones Y Sistemas S.A.	Nicaragua	Fraudulent Practice 2004 Procurement Guidelines	2
72	Development Action Centre (DAC)	Bangladesh	Fraudulent Practice 1999 Consultant Guidelines	4
73	Mrs. Shamsunnahar	Bangladesh	Fraudulent Practice 1999 Consultant Guidelines	4
74	Dr. Hans Peter Schöne	Germany	Fraudulent Practice 1999 Consultant Guidelines	5
75	Gregory Ilias Lee, also known as Greg Lee or Gregory Lee	Indonesia	Fraudulent Practice 2004 Consultant Guidelines	3
76	Human Resources Development Organization (HURDO)	Bangladesh	Fraudulent Practice 1999 Consultant Guidelines	4
77	Mr. K.M. Rahman	Bangladesh	Fraudulent Practice 1999 Consultant Guidelines	4
78	Mr. Md. Shamsul Alam	Bangladesh	Fraudulent Practice 1999 Consultant Guidelines	4
79	Samajik Sangha (SS)	Bangladesh	Fraudulent Practice 1999 Consultant Guidelines	4
80	Marvel SA; Marvel SAS; Societe Marvel S.A.	France	Fraudulent Practices 1999 Procurement Guidelines	3
81	Zhongke Life Science & Technology Co., Ltd.*	China	Fraudulent Practice 2006 Procurement Guidelines	3
82	Cabinet De Recherche, De Formation Et D'expertise En Santé	Democratic Republic of Congo	Fraudulent Practices 2006 Consultant Guidelines	3
83	Dr. Symplice Mbola Mbassi	Democratic Republic of Congo	Fraudulent Practices 2006 Consultant Guidelines	3

**Cross-Debarments Honored by the World Bank Group**

	COMPANY/INDIVIDUAL	COUNTRY	GROUNDS FOR SANCTION	TERM OF SANCTION
1	Alberto Rufino Calagua Fajardo	Peru	Cross Debarment: IDB	3
2	Ameth Ali Bejar Aquino	Peru	Cross Debarment: IDB	4
3	Inversiones Y Negociaciones P&G E.I.R. Ltda.	Peru	Cross Debarment: IDB	4
4	Jose Carlos Vera La Torre	Peru	Cross Debarment: IDB	3
5	Vladimiro Lopez Robles	Peru	Cross Debarment: IDB	2
6	Vladimiro Lopez Robles E.I.R. Ltda.	Peru	Cross Debarment: IDB	2
7	Constructora Nepal S.A.C	Peru	Cross Debarment: IDB	2 years 10 months
8	Corbert Contratistas Generales S.A.C.	Peru	Cross Debarment: IDB	3 years 10 months
9	Herminia Emma Cornejo Canales	Peru	Cross Debarment: IDB	2 years 10 months
10	Julia Teresa Su Cavero	Peru	Cross Debarment: IDB	2 years 10 months
11	Nestor Lorenzo Palomino Lujan	Peru	Cross Debarment: IDB	2 years 10 months
12	Teodolinda Flor Cornejo Canales	Peru	Cross Debarment: IDB	3 years 10 months
13	Zunilda Mendoza Quispe	Peru	Cross Debarment: IDB	2 years 10 months
14	Ramon Arturo Gomez Velasco	El Salvador	Cross Debarment: IDB	8 years 10 months
15	Adriana Elizabeth Del Valle Ahuad	Mexico	Cross Debarment: IDB	2 years 10 months
16	Coinpro, Sc	Mexico	Cross Debarment: IDB	4 years 10 months
17	Conrol	Guatemala	Cross Debarment: IDB	2 years 10 months
18	Constanza Ruz	Mexico	Cross Debarment: IDB	2 years 10 months
19	Daren Khan	Guyana	Cross Debarment: IDB	1 year 8 months
20	Empresa Constructora Luis Perez Brenes S.A.	Nicaragua	Cross Debarment: IDB	4 years 3 months
21	Gabriel Jean-Charles	Haiti	Cross Debarment: IDB	9 years 3 months
22	Hector Carlos Bolivar Villagomez	Mexico	Cross Debarment: IDB	4 years 10 months
23	Hugo Valdemar Roque Lima	Guatemala	Cross Debarment: IDB	2 years 10 months
24	Ingenieros Sanchez Ramos Y Asociados, S.A. De C.V.	Mexico	Cross Debarment: IDB	2 years 8 months
25	Les Chantiers Modernes D'haiti	Haiti	Cross Debarment: IDB	4 years 3 months
26	Luis Adolfo Perez Brenes	Nicaragua	Cross Debarment: IDB	4 years 3 months
27	Luis Adolfo Perez Obregon	Nicaragua	Cross Debarment: IDB	1 year 3 months

	COMPANY/INDIVIDUAL	COUNTRY	GROUND FOR SANCTION	TERM OF SANCTION
28	Mario Alirio Palacios Quiceno	Colombia	Cross Debarment: IDB	2 years 3 months
29	Martha Camasca Saez	Peru	Cross Debarment: IDB	2 years 11 months
30	Marylyn Paul Theodore	Haiti	Cross Debarment: IDB	4 years 3 months
31	Patricia Chamorro Ortiz	Colombia	Cross Debarment: IDB	4 years 10 months
32	Representaciones Flores S.R.L.	Peru	Cross Debarment: IDB	2 years 11 months
33	Rodolfo Rafael Ramirez Gonzalez	Mexico	Cross Debarment: IDB	3 years 10 months
34	Ronald Theodore	Haiti	Cross Debarment: IDB	4 years 3 months
35	Seinpro, Sa De Cv	Mexico	Cross Debarment: IDB	4 years 10 months
36	Sercombol, S.R.I.	Bolivia	Cross Debarment: IDB	2 years 10 months
37	Teresa Antonia Corea Medina	Nicaragua	Cross Debarment: IDB	1 year 3 months
38	Victor Manuel Sanchez Ramos	Mexico	Cross Debarment: IDB	2 years 8 months
39	Victor Manuel Sanchez Valdivia	Mexico	Cross Debarment: IDB	2 years 8 months
40	Walter Augusto Pedrozo	Bolivia	Cross Debarment: IDB	2 years 10 months
41	Dr. Indaryati Motik Adisuryo	Indonesia	Cross Debarment: ADB	4 years 8 months
42	Ir. Janti M. Rinaldi Gd Rifa	Indonesia	Cross Debarment: ADB	4 years 2 months
43	Pt Tridarma Fifita	Indonesia	Cross Debarment: ADB	4 years 8 months
44	Ly Moni Roth	Cambodia	Cross Debarment: ADB	permanent
45	Sdc Consulting Co. Limited Cambodia	Cambodia	Cross Debarment: ADB	9 years 10 months
46	Sukhjin Co. Ltd.	Mongolia	Cross Debarment: ADB	6 years 10 months
47	Sustainable Development Consultants Cambodia Ltd.	Cambodia	Cross Debarment: ADB	9 years 10 months
48	Syani Phiom	Cambodia	Cross Debarment: ADB	permanent
49	(Ms.) Ir. Norma Kumalawati	Indonesia	Cross Debarment: ADB	permanent
50	Pt Rifa Bestari	Indonesia	Cross Debarment: ADB	5 years 8 months
51	Idreco Invest S.P.A.	Italy	Cross Debarment: EBRD	2 years 11 months
52	Idreco S.P.A	Italy	Cross Debarment: EBRD	2 years 11 months
53	Zhejiang Zheda Insigma Technology Co. Ltd.	China	Cross Debarment: EBRD	2 years 11 months
54	Zhejiang Zheda Insigma Group Co. Ltd. (Insigma Group)	China		2 years 11 months

**Other Sanctions Imposed**

	COMPANY/INDIVIDUAL	COUNTRY	SANCTION IMPOSED	GROUND
1	Irrimaquinas Irrigacao E Maquinas (A.L.B. Fernandes Comercio)	Brazil	Conditional Non-debarment	Fraudulent Practice
2	Alstom SA	France	Conditional Non-debarment	Corrupt Practice
3	PT Inlingua International Indonesia	Indonesia	Letter of Reprimand	Fraudulent Practice

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 <http://www.worldbank.org/debarr> for complete list of currently debarred entities and conditions.

## Referrals Made to National Authorities in FY12

	DATE OF REFERRAL	REFERRAL RECIPIENT	NATURE OF MISCONDUCT	PROJECT DESCRIPTION	STATUS
1.	June 28, 2012	United States	Fraudulent and Corrupt Practices	Water Supply and Sanitation	Engagement commenced with the national authorities.
2.	June 14, 2012	West Bank/Gaza	Fraudulent Practice	Financial Management System	Engagement commenced with the national authorities.
3.	June 14, 2012	Iraq	Fraudulent Practices	Hydro Power	Engagement commenced with the national authorities.
4.	June 6, 2012	Timor-Leste	Fraudulent and Corrupt	Health Sector	Subsequent to the initial referral, INT is engaged in seeking response on action taken by the national authorities.
5.	May 16, 2012	Zambia	Corrupt Practices involving a Government Official	Power Rehabilitation	Subsequent to the initial referral, INT is engaged in seeking response on action taken by the national authorities.
6.	April 4, 2012	Bangladesh	Corrupt Practices	Construction Supervision	This complex matter is being assessed by national authorities.
7.	March 14, 2012	Australia	Fraudulent and Corrupt Practices	Water Supply and Sanitation	National authorities evaluating the referral.
8.	January 25, 2012	West Bank/Gaza	Fraudulent Practices	Emergency Services	Subsequent to the initial referral, INT is seeking response on action taken by the national authorities.
9.	December 14, 2011	Cambodia	Fraudulent and Corrupt Practices	Water Supply and Sanitation	Insufficient information available about actions by the national authorities.
10.	December 2, 2011	Singapore	Fraudulent and Corrupt Practices	Water Supply and Sanitation	INT is engaged with the national authorities on this matter through recent exchange of information.
11.	December 1, 2011	Vietnam	Fraudulent and Corrupt Practices	Water Supply and Sanitation	INT is engaged with the national authorities on this matter through recent exchange of information.
12.	November 21, 2011	Honduras	Fraudulent Practices involving a Project Staff	Environment Facility	Subsequent to the initial referral, INT is seeking response on action taken by the national authorities.



## Referrals Made to National Authorities in FY12 (continued)

	DATE OF REFERRAL	REFERRAL RECIPIENT	NATURE OF MISCONDUCT	PROJECT DESCRIPTION	STATUS
13.	November 21, 2011	Belize	Fraudulent Practices involving a Project Staff	Environment Facility	Subsequent to the initial referral, INT is seeking response on action taken by the national authorities.
14.	November 21, 2011	Mexico	Fraudulent Practices involving a Project Staff	Environment Facility	Subsequent to the initial referral, INT is seeking response on action taken by the national authorities.
15.	November 19, 2011	China	Fraudulent Practices in Bid Submission	Transport and Infrastructure	Subsequent to the initial referral, INT is seeking response on action taken by the national authorities.
16.	November 14, 2011	Moldova	Fraudulent Practices related to a Procurement of a Contract	Energy Project	Matter has been referred to prosecutorial authorities for investigation.
17.	November 14, 2011	Sudan	Fraudulent Practices in Bid Submission	Transport and Infrastructure	Subsequent to the initial referral, INT is seeking response on action taken by the national authorities.
18.	November 14, 2011	Uganda	Fraudulent and Corrupt Practices related to Procurement of Contracts	Private Sector Competitiveness Project	Matter has been referred to the Attorney General for legal guidance and appropriate action.
19.	November 8, 2011	Australia	Fraudulent Practices in a Construction Project	Construction Project	Subsequent to the initial referral, INT is seeking response on action taken by the national authorities.
20.	November 8, 2011	Bangladesh	Fraudulent Information in a Construction Project	Construction Project	Subsequent to the initial referral, INT is seeking response on action taken by the national authorities.
21.	October 24, 2011	Ukraine	Fraudulent Information in Procurement of a Contract	Supply of Equipment for Schools	Subsequent to the initial referral, INT is seeking response on action taken by the national authorities.
22.	October 4, 2011	Ethiopia	Potential Misconduct of a project official	Development Capacity Building	Subsequent to the initial referral, INT is seeking response on action taken by the national authorities.
23.	September 25, 2011	Nigeria	Corrupt practices involving a project official	Economic Reform and Governance	Matter is under consideration by national authorities.
24.	September 22, 2011	Bangladesh	Corrupt Practices in Construction of a Bridge	Construction of a Bridge	National authorities closed investigation based on a finding of insufficient evidence to proceed.

	DATE OF REFERRAL	REFERRAL RECIPIENT	NATURE OF MISCONDUCT	PROJECT DESCRIPTION	STATUS
25.	August 31, 2011	Kenya	Fraudulent and Corrupt Practices in Project Expenditures	Resource Management	INT and Government of Kenya agreed to conduct a joint forensic audit of the project in 2012.
26.	August 29, 2011	Nigeria	Fraudulent and Corrupt Practices involving Project Officials	Health Services	Audit conducted and USD 700,000 in additional fraudulent expenditures identified. Additional enforcement activities underway.
27.	August 24, 2011	China	Fraudulent Practices involving Bid Securities	Highway Construction	Subsequent to the initial referral, INT is seeking response on action taken by the national authorities.
28.	August 4, 2011	Croatia	Irregularities in the Procurement Process	Improvement of Coastal Waters	As a result of the referral, the PIU undertook its own investigation and is communicating with the World Bank about its actions.
29.	July 29, 2011	Gambia	Fraudulent Practices involving Forged Manufacturer Authorization Letters	Construction Project	Subsequent to the initial referral, INT is seeking response on action taken by the national authorities.
30.	July 29, 2011	Belgium	Fraudulent Practices involving Forged Manufacturer Authorization Letters	Construction Project	The national authorities have confirmed their intention to undertake an investigation into the misconduct.
31.	July 19, 2011	Russia	Fraudulent Practices involving Manufacturer's Authorizations Letters and Registration	Water Supply and Sanitation	Subsequent to the initial referral, INT is seeking response on action taken by the national authorities.
32.	July 19, 2011	Russia	Fraudulent Practices in Procurement of the Contract and Conflict of Interest involving a Project Implementation Unit Member	Meteorological and Hydrological Services	The matter was investigated further by the national authorities resulting in the removal of a senior project management official. Furthermore, an amount of USD 95,000 was recompensed to IBRD by the implicated agency.

Where appropriate, INT will refer allegations it has not yet substantiated to relevant authorities where there is a positive duty or pressing necessity to do so.

## Budget and Staffing

Compared to FY11, INT's FY12 budget increased marginally, while staffing increased by 2% to 94, of whom 52% are female and 48% are male. Thirty-four percent of staff represent Part II countries and 6% represent Part I Nationalities of Focus.

Mindful of the current financial climate, INT has operated as prudently as possible under the circumstances and has doubled its efforts in managing resources judiciously and efficiently.

Examples of efficiency measures that INT has undertaken include:

- Increased focus on impact, with the aim to leverage existing resources to achieve established goals;
- Leveraged intellectual capital by creating fluidity and flexibility in staff deployment and team organization;
- Achieved more robust results through harmonized and joint investigative activities; and
- Deepened knowledge across the institution by developing joint initiatives where feasible

	FY09	FY10	FY11	FY12
Budget (\$ in millions, incl. reimbursables)	\$ 18.8	\$18.7	\$20.4	\$20.6
<b>Staffing</b>				
Staff grades GE+*	52	74	72	75
<i>o/w Investigators/Specialists</i>	47	63	65	64
Staff grades GA–GD*	26	24	20	19
<i>o/w GA–GD Specialists</i>	15	10	7	5
<b>Total</b>	<b>78</b>	<b>98</b>	<b>92</b>	<b>94</b>

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

## Acronyms

CHF	(Swiss Franc)
EBC	Office of Ethics and Business Conduct
CoI	Conflict of Interest
EO	Evaluation and Suspension Officer
FIR	Final Investigation Report
FY	Fiscal Year
GAC	Governance and Anti-corruption
GBP	(British Pound)
IAB	Independent Advisory Board
ICHA	International Corruption Hunters Alliance
IFC	International Finance Corporation
INT	Integrity Vice Presidency
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
OAG	Office of the Attorney General (Switzerland)
OUP	Oxford University Press
OPCS	Operations Policy and Country Services
PIU	Project Implementation Unit
PforR	Program for Results [financing instrument]
PSU	Preventive Services Unit
RCMP	Royal Canadian Mounted Police
SAE	Statement of Accusations and Evidence
SFO	Serious Fraud Office (United Kingdom)
StAR	Stolen Asset Recovery Initiative
TTL	Task Team Leader
UN	United Nations
USD	(American Dollar)
VDP	Voluntary Disclosure Program
VPHR	Vice President Human Resources
WBG	World Bank Group

# See Something Worth Reporting?

## FRAUD & CORRUPTION HOTLINE

investigations\_hotline@worldbank.org

Call 1-800-831-0463 inside the US

Call 1-704-556-7046 outside the US

### 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

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*Operated by an independent third party*

*Open 24 hours a day*

*Interpreters available*

*Anonymous calls accepted*