



INTEGRITY

FISCAL YEAR 2008

# ANNUAL INTEGRITY REPORT



PROTECTING DEVELOPMENT'S POTENTIAL





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### Box 1: The World Bank's Integrity Vice Presidency

In 2001, World Bank established the Department of Institutional Integrity (INT), the investigative arm of the World Bank Group, reporting directly to the Bank's President and indirectly to the Audit Committee of the Bank Group's Board. INT sends its investigative reports to the President and briefs the Audit Committee on a quarterly basis regarding the significant activities and outcomes of the unit. In FY08, INT was elevated to a Vice Presidency.

INT's mandate is to investigate allegations of fraud and corruption in Bank Group-supported activities, as well as allegations of significant fraud or corruption involving staff. INT conducts its administrative investigations according to internationally-used good practice, procedure and protocol. It refers its findings to other units and officials for decisions, such as the World Bank's President, Regional Operations, the International Finance Corporation (IFC), the Multilateral Investment Guarantee Agency (MIGA), the World Bank Group's Evaluation and Suspension Officers and the Sanctions Board (for external, project-related cases) and the Human Resources Services Vice President (for staff misconduct cases).

INT works closely with the Bank Group's Legal Vice Presidency on legal and policy issues, including sanctions questions and contacts with national law enforcement authorities. In addition, INT coordinates anti-corruption activities with the Bank's Poverty Reduction and Economic Management (PREM) network; the World Bank Institute (WBI); Operations Policy and Country Services (OPCS); and the Bank Group's regional staff. It also collaborates with the Ethics and Business Conduct Office (EBC) and WBI, in the educational and awareness training for Bank Group staff and clients.



## I. Overview:

# INT Milestones in Fiscal Year 2008 (FY08)

FY08 (July 1, 2007–June 30, 2008) was a significant year for INT. Milestones included:

**Independent Review Panel:** On September 13, 2007, a panel led by former U.S. Federal Reserve Chairman Paul Volcker (the Volcker Panel) released a report on INT (see: Table 3). On January 23, 2008, following consideration of a Working Group response to the Volcker Panel's report, Bank management announced its decision to implement the Panel's 18 recommendations, which included creating an Independent Advisory Board for INT; increasing transparency around INT's investigative products; and providing for a preventive services consulting unit, to help Bank staff to anticipate and guard against fraud and corruption in Bank Group-financed and supported projects.

**India Detailed Implementation Review (DIR):** In January 2008, INT completed and the Bank published a DIR of five health projects in India. The DIR, which found indicators of significant malfeasance, irregularity, non-compliance, and service under-delivery across five projects, resulted in far-reaching reforms aimed at addressing systemic weaknesses in project financial management, audit, and internal controls systems as well as project evaluation methodologies. Work is now underway within OPCS and Regions to ensure that lessons learned in the DIR are applied Bank-wide, and both INT and the Government of India have begun follow-up investigations. The Government of India also announced it will punish anyone found guilty of fraud or corruption.

**Public Release of INT Reports:** Since the release of the India DIR, the Bank has started to make other INT reports publicly available, as recommended by the Volcker Panel and agreed by Management. Early examples are investigative reports on projects in Honduras and the Democratic Republic of Congo (DRC).

**Integrity Vice President:** As recommended by the Volcker Panel, in FY08 INT was designated a Vice Presidency. In June, Leonard McCarthy, a lawyer and prosecutor who previously headed South Africa's Directorate of Special Operations, became INT's first Vice President. With its elevation to a Vice Presidency and an expanded mandate, INT also sought to strengthen its capacity to undertake the investigative and advisory services, in compliance with the Bank Group's overall mission of poverty reduction.

## II: External Cases (Fraud and Corruption in Bank Group-Financed Projects)

Key data on INT's external case load, priority rating, and disposition<sup>1</sup> are presented in Table 1.

INT uses a Board-endorsed triage system to categorize allegations as high-, medium-, or low-priority, and it aims to investigate all high-priority cases. Information gathered from low-priority cases contributes to INT's collective knowledge, and is referenced in connection with future cases. An investigation aims either to *substantiate* or to *refute* the allegation; if the evidence is inconclusive, the allegation is classified as *unsubstantiated* and the matter is closed. Of the 67 project-related cases fully investigated in FY08, INT substantiated 29 (43%), found 23 (34%) to be unsubstantiated, and found 15 others (22%) to be unfounded. In addition, because they were rated low priority, 48 cases required no further action and 54 were referred to colleagues in operational areas of the World Bank for appropriate action. Completing the India DIR, an unprecedented product that required an extraordinary effort, had an impact on the capacity of the External Investigations Unit to balance the handling of the investigative caseload and related backlogs. With the DIR completed and INT having recruited a number of new staff, a concerted effort has been undertaken to finalize outstanding cases with greater efficiency.

**Table 1: INT's External Caseload (FY05-08)**

Cases	FY05	FY06	FY07	FY08
Carried over	224	166	208	175
Opened	235	190	116	152
<b>Closed</b>	<b>293</b>	<b>148</b>	<b>149</b>	<b>169</b>
Referred/Not Investigated	41	28	20	54
Low Priority/No Action	90	46	44	48
<b>Investigated</b>	<b>162</b>	<b>74</b>	<b>85</b>	<b>67</b>
<b>Substantiated</b>	<b>58</b>	<b>13</b>	<b>33</b>	<b>29</b>
Unsubstantiated	77	35	44	23
Unfounded	27	26	8	15
<b>Ending Caseload</b>	<b>166</b>	<b>208</b>	<b>175</b>	<b>158</b>

"Substantiated" means evidence showed wrongdoing "more likely than not" to have occurred; "unsubstantiated" means findings were inconclusive; "unfounded" means the alleged misconduct did not in fact occur.

<sup>1</sup> Quantity of cases opened or closed *per se* should not be used as an indicator of the level of corruption affecting Bank Group projects, nor as a measure of INT's productivity. While it is important that cases receive investigative attention, the statistic in isolation is not a benchmark of success. Each case is unique in its complexity, and each presents its own factual challenges, including the scope of documents to be reviewed or investigative interviews held. Ultimately, the impact and value of the case to the Bank Group would be the determining factor.



Among the 29 substantiated cases in FY08, INT found evidence of corrupt payments, attempted bribery and collusive bidding in infrastructure projects in East Asia; collusion and bid rigging among drug manufacturers in South Asia; and fraudulent misrepresentation of qualifications by Eastern European consultants and contractors.

The most significant substantiated case concluded in FY08 involved an investigation into the bidding process for two Bank-financed road construction contracts in the Philippines. The investigation found evidence of a major cartel of companies bidding for contracts on the Bank project. Some of the companies were small, local firms, but others were large, international companies domiciled overseas but active globally in road construction projects. INT submitted a Notice of Sanctions Proceedings to the Evaluation and Suspension Officer (EO), which resulted in the EO temporarily suspending the firms from being eligible to receive Bank-financed contracts. All the firms were provided the opportunity to respond to the charges brought against them, and some chose to do so in hearings with the Sanctions Board, which eventually ruled to debar eight firms and one individual. The Bank was able to halt an estimated \$33 million in contracts from being awarded, and no Bank funds from the project were disbursed to the debarred firms.

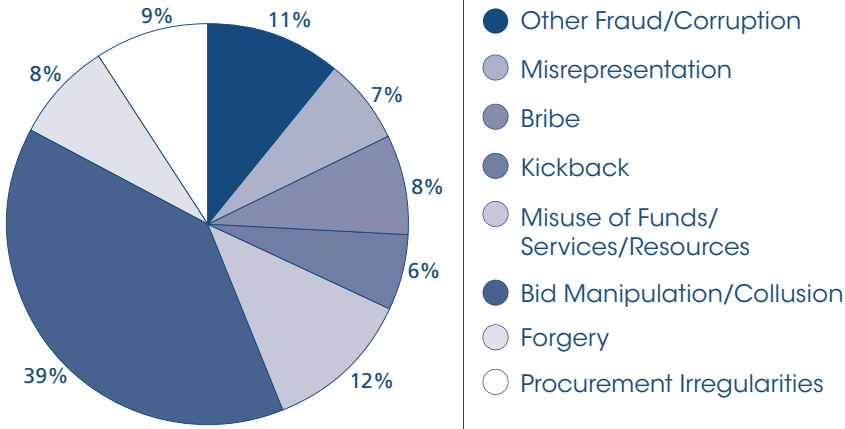
As regards the other substantiated cases, the Bank has also taken operational action following INT investigations, which included declaring misprocurement, cancelling contracts, seeking repayment of funds, and restructuring projects to better address the fraud and corruption risks. INT has submitted the relevant sanctions notices to the EO and made case referrals to member governments in the countries affected by the misconduct, so that they can take appropriate action under their countries' own civil, criminal, and administrative laws.

The spread of cases opened by INT across the regions shows fluctuations from prior years. The large increase in cases opened in the South Asia region was explained in part in the FY07 annual report. The follow up work relating to the Detailed Implementation Review has impacted the number of cases opened in the balance of the other Regions with staff resources committed to this exercise.

**Table 2: External Cases Opened by Region (FY05–08)**

Region	FY05		FY06		FY07		FY08	
Africa	39	16%	32	17%	33	28%	31	20%
East Asia/Pacific	63	27%	51	27%	37	32%	29	19%
Europe/Central Asia	40	17%	33	17%	18	16%	15	9%
Latin America/Caribbean	30	13%	15	8%	7	6%	10	7%
Middle East/North Africa	12	5%	8	4%	7	6%	10	7%
South Asia	51	22%	51	27%	14	12%	57	38%
<b>Total</b>	<b>235</b>	<b>100%</b>	<b>190</b>	<b>100%</b>	<b>116</b>	<b>100%</b>	<b>152</b>	<b>100%</b>

Figure 1: External Cases by Principal Type of Allegation (FY08)

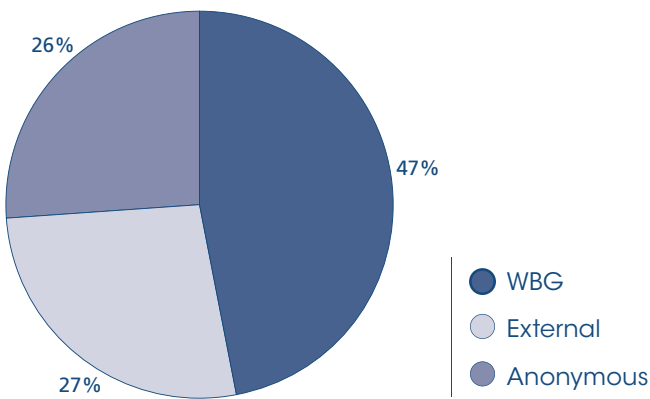


While allegations on external cases cover the spectrum of fraud, corruption and collusion (see Figure 1) and in many instances a complaint may involve more than one allegation, it is not until an investigation has been undertaken that INT will be able to establish the authenticity of the complaint. Accordingly, a misrepresentation may result in a finding of forgery, whereas a complaint initially assessed as a procurement irregularity may result in an instance of bid manipulation. The breakdown of types of allegations has remained relatively consistent with that reported in prior years.

The trend identified in the FY07 annual report of an increase in the percentage of cases reported by Bank Group staff continued in FY08, increasing from 35%

to 47% (see Figure 2). INT believes that this is attributable to the greater interaction between INT and Regional staff, and the greater awareness of indicators of fraud and corruption by Regional teams stemming from the multiple initiatives being undertaken across the Bank Group to reduce the risks of fraud and corruption in Bank Group-supported activities.

Figure 2: External Cases by Source of Allegation (FY08)





### III. India Detailed Implementation Review

The India DIR, which was conducted FY07-08 and made public on January 11, 2008, was INT's largest single undertaking. Unlike an investigation, which sets out to uncover the facts and circumstances surrounding an allegation, this DIR involved a broad-based forensic review of contract procurement and execution in five Bank-supported health projects to identify indicators of fraud or corruption.

The India DIR found significant indicators of fraud and corruption in all five projects. Those indicators appear to have affected, to varying extents, the projects' implementation and outputs, pointing to systemic risks in the Bank's health portfolio in India. In particular, it pointed to procurement that appeared to be affected by collusive behaviors, bribery, and manipulated bid prices; deficient civil works certified as complete; broken or damaged equipment certified as compliant with specifications; under-delivery of services as compared to contractual obligations; and inadequate project financial, audit, and internal controls systems.

In addition, all five projects exhibited weaknesses in the Bank's pre-project assessment and mitigation of fraud and corruption risks and the institution's ability to respond thereto through effective supervision. A high risk of malfeasance in local contracting was also manifest. Finally, certain discrepancies between the DIR's findings and the implementation ratings given to the projects by task teams, implementation completion reports, and the Independent Evaluation Group (IEG) reviews, suggest technical flaws in the Bank's project evaluation methodology.

Collectively, those findings have resulted in a joint action plan by the Bank and the Government of India, which includes: procurement audits and performance reviews by independent third-party agents; strengthened procurement and financial management in the Ministry of Health; increased use of community-monitoring and oversight; and improved supervision over civil works and pharmaceutical procurement. Qualification requirements in Bank Group-financed bids will also be adapted to reduce the risks of collusion.

INT and the Government of India have both begun follow-up investigations. INT's investigations could lead to the debarment of firms and individuals from doing business with the Bank Group. Past DIRs have led to 140 such debarments, thus validating the predictive nature of the indicators DIRs tend to uncover. The Government of India has referred three new cases to the country's Criminal Bureau for Investigation and the Vigilance Department in Orissa has launched a number of criminal investigations in that state.

The India DIR is not only about India. It has international implications and helps the Bank Group identify weaknesses and vulnerabilities in public procurement across its entire portfolio, to enhance the enabling environment. In response to the DIR, and in light of the Bank's strengthened GAC strategy, the Bank's South Asia region and OPCS have developed a health sector-specific governance and anti-corruption reform agenda. That initiative details improvement in project design, supervision and implementation, which should be realized if properly applied (see Box 2).

In a press release on January 11, 2008, President Zoellick stated: *"The probe has revealed unacceptable indicators of fraud and corruption. The Government of India and the World Bank are committed to getting to the bottom of how these problems occurred. I appreciate the resolute commitment of the Government which will be in the lead in pursuing criminal wrongdoing. On the Bank side, there were weaknesses in project design, supervision and evaluation. There are also systemic flaws. I am determined to fix these problems. The Volcker Report points the way towards what has to be done."*

#### Box 2: How Lessons Learned from the DIR are Informing Changes to Bank Group Health-Sector Projects in India

- **Enhanced transparency**, building on India's recent Right to Information Act, to include web publication of all procurement processes, bidding and contract awards;
- **Implementation oversight** by project beneficiaries, citizens and civil society, using Community Score Cards and social audits;
- **Tightening oversight and recruitment of NGOs** (for example the National AIDS Control Organization has terminated 163 NGO contracts out of 952);
- **Improving quality control measures** to ensure the quality of pharmaceuticals procured, including independent validation of WHO Goods Manufacturing Practice certificates and disclosing full results on Government websites;
- **Procurement audits** for 100 percent of projects annually;
- **Strengthening procurement controls** to catch collusive bidding, including designing new software detectors; and
- **Acceleration of complaints processing and action** (some examples have already pointed to reductions from nine months to less than two months).



## IV. Sanctions Proceedings

When INT's investigative findings warrant it, INT prepares a Notice of Sanctions Proceedings to initiate the administrative process through which the Bank Group Sanctions Board determines whether a firm or individual has engaged in a sanctionable practice, and if so, what disciplinary measure is appropriate. Serious high-profile sanctions can be a strong deterrent to private-sector corruption and a powerful incentive to firms to seek ways to mitigate risks of enforcement action, including through entry into INT's Voluntary Disclosure Program (VDP), discussed below. If a firm is already under investigation by INT and thus is not able to enter the VDP, the firm may also seek to mitigate sanctions by cooperating with INT. As an example, Siemens AG stated the following in a Corporate Compliance Communication, released on November 8, 2007: *"As a result of the above described matters and as part of its policy of cooperation, Siemens contacted the World Bank and offered to assist the World Bank in any matter that might be of interest to the World Bank. Since that time, Siemens has been in contact with the World Bank Department of Institutional Integrity and intends to continue its policy of cooperation."*

On July 16, 2007, the Sanctions Board sanctioned two India-based firms, Nestor Pharmaceuticals Ltd. and Pure Pharma Ltd., declaring them ineligible to be awarded Bank-financed contracts. Both firms were found to have engaged in collusive practices in connection with the Bank-financed Reproductive and Child Health project (RCH1) in India. Nestor was debarred for a period of three years, and Pure Pharma for one.

On May 22, 2008, the Sanctions Board sanctioned a Senegalese company for submitting fraudulent documents in relation to two Bank-financed tenders. The Sanctions Board debarred *Générale de l'Ingénierie des Travaux et de l'Équipement* (GENITE) and its proprietor for two years. In the case of GENITE, the debarment can be extended for an additional period of three years if the company does not establish and satisfactorily implement an effective corporate compliance program. Throughout FY08, proceedings against a wide range of other respondents were initiated, with hearings expected before the Sanctions Board in FY09. A full list of debarred firms can be found on INT's website: [www.worldbank.org/integrity](http://www.worldbank.org/integrity).

## V. Referral Reports Made Available in FY08

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In addition to the Bank's own enforcement action, INT prepares referral reports that enable member countries to pursue civil, criminal or administrative cases, determine whether any laws have been violated, and take appropriate action under their own sovereign laws.

INT issued eight substantive referral reports to member governments and other donor agencies in FY08. Based on recommendations 4 through 9 from the Volcker Panel Report as agreed by management, the World Bank now has a protocol in place under which Final Investigative Reports that have been referred to a government for action are redacted, provided to the Bank's Board of Executive Directors and made public at the President's discretion (in consultation with the relevant Managing Director, Regional Vice President and INT).

Under that protocol, the Bank made an investigative report public in FY08, involving a case in the Democratic Republic of Congo (DRC). The INT investigation found evidence of fraud and corruption in contracts financed under the Emergency Demobilization and Reintegration Project. INT prepared a referral report for the authorities of the DRC and other stakeholders regarding the findings of the investigation. A copy of that report, the reply by the Government of the DRC, as well as other publicly available reports can be found on INT's website: [www.worldbank.org/integrity](http://www.worldbank.org/integrity).



## VI. Integrating INT's Activities into the Bank Group's Governance and Anti-corruption Efforts

In line with the recommendations from the Volcker Panel review (see Table 3), INT is now working to better leverage the client dialogue carried by the Bank's country teams, as well as the policy-setting opportunities available within the Bank Group, to ensure that detecting and deterring fraud and corruption in Bank Group-supported activities becomes a routine feature of the Bank Group's work. The creation of an Independent Advisory Board to strengthen the accountability and independence of INT, as well as the establishment of a Preventive Services Unit, both benefit INT with structured opportunities, enabling operational staff to better assess and mitigate fraud and corruption in the design and supervision of projects. INT is also a part of the Bank's Governance Council, where it participates in the execution of the Bank's governance strategy. It also attends Operations Committee meetings, in instances where fraud and corruption matters are under consideration. A key challenge for INT is to show that it can reduce the incidence of external fraud and corruption as a risk to Bank Group operations, and to measure that impact. To that end, INT is carefully determining the qualitative and quantitative information that helps to measure its technical competence and operational impact.

**New Early Warning System for Operations Staff:** To ensure that INT's base of information and analysis concerning fraud and corruption is properly housed and handled, INT has repositioned its former Central Case Intake Unit as a Knowledge Management Unit (KMU). The KMU is designed to be a central repository of all information on fraud and corruption that enters INT and, if successful over time, the Bank. Under this new mandate, the KMU and the INT regional team leaders now meet monthly with the regions, IFC and MIGA to discuss: (i) ongoing INT investigations; (ii) projects in the pipeline that may relate to such investigations; (iii) country-level action on INT referrals; (iv) pending debarment actions; (v) allegations that may receive media attention; (vi) fraud and corruption trends; and (vii) lessons learned from investigations. It also works with operational staff to determine how they should protect the Bank, and enhance due diligence, in areas where INT has information of fraud and corruption risks. In particular, the KMU, with other INT and operational staff, reviews allegations and ongoing investigative findings to determine jointly: (i) the nature, scope, and credibility thereof; (ii) the risk(s) they present, if assumed to be true; and (iii) the risk mitigation measures that are appropriate. In their monthly meetings, the KMU and operational staff also determine the priority of new allegations.

**Preventive Services Unit Sharing "Lessons Learned" with Bank Group Staff:** In response to a key recommendation of the Volcker Panel, INT has also established the Preventive Services Unit (PSU), which aims to: (1) raise staff awareness of external fraud and corruption risks affecting Bank-financed operations; (2) provide practical advice and training on assessing and mitigating such risks; (3) conduct research (based on INT's investigative findings, allegations received in INT, and feedback from clients) to distill lessons learned, develop best practices and mainstream these into

**Table 3: Progress in Implementing the Recommendations of the Volcker Panel, as of January 2009 [FY09]**

	<b>Recommendation</b>	<b>Status</b>
<b>1</b>	Elevate INT to VP status	Done (June 2008)
<b>2</b>	Establish Independent Advisory Board	Four-member IAB appointed in Sept. 2008*
<b>3</b>	Establish consulting unit	Done. PSU established in Nov. 2007
<b>4</b>	Ensure action plan follows from INT findings	Operational Managing Directors responsible for action plan
<b>5</b>	Re-evaluate INT's confidentiality policies	Underway; practice note under preparation; confidentiality protocol agreed in August 2008
<b>6</b>	Disclose progress in ongoing external investigations to staff, to enable them to protect integrity of ongoing operations	Ongoing; allegations reviewed jointly between INT and Regional Vice Presidents, IFC or MIGA, and appropriate preventive measures agreed
<b>7</b>	Disclose draft external investigative reports to operational staff	Being done for all reports completed since Sept. 13, 2007 (i.e., post-Volcker reports)
<b>8</b>	Disclose redacted external investigative reports to Executive Directors, and to the public if the President—in consultation with the relevant Managing Director, Regional Vice President and INT—so determines	Being done for all final reports completed since Sept. 13, 2007; redacted DIRs and investigative reports made available to public
<b>9</b>	Disclose credible allegations, investigative progress, and redacted reports to donors	Ongoing; requires guidelines to balance competing interests
<b>10</b>	Improve INT relations with OPCS and IAD	Ongoing; interactive and yielding results
<b>11</b>	Continue to use DIRs, with staff involvement as appropriate	OPCS, INT working to develop guidelines for handling of future DIRs
<b>12</b>	Make an external member of the Sanctions Board the chair of that Board	Sent to Executive Directors in February 2009, when Sanctions Board membership was scheduled to rotate
<b>13</b>	Complete normal external investigations within 12 months and complex ones within 18 months	INT has designed timeline tracking systems to meet standards and is recruiting staff to achieve required resource-to-case ratio
<b>14</b>	Transfer investigative responsibility for staff misconduct not involving allegations of significant fraud or corruption out of INT	New Chief Ethics Officer appointed; task force established; transfer to Ethics Office expected to be completed in FY09
<b>15</b>	Complete staff misconduct cases involving fraud or corruption within 9 months and workplace conflict within 6 months	Case tracking mechanisms developed and trends being monitored; outcomes pending transfer of responsibilities
<b>16</b>	Enhance selected staff rights to improve fairness of internal investigations	Annex to Staff Rule 8.01 and Guide to Staff Rule 8.01 Investigative Process, published December 2008 [FY09]
<b>17</b>	Improve staff competence and diversity	Ongoing recruitment has improved diversity; technical specialists being recruited globally
<b>18</b>	Improve INT's performance measures	New performance metric proposed (July 2008)

\* On September 18, 2008 [FY09], the Bank announced the appointment of former Australian Treasurer Peter Costello, former U.S. diplomat and scholar Chester Crocker, former Philippine Ombudsman Simeon Marcelo and Swiss jurist Mark Pieth to the Independent Advisory Board.



future operations; and (4) support client anti-corruption efforts by governments. The overall goal of PSU is to be a knowledge center of excellence on fraud and corruption prevention, detection and mitigation, with the first-line beneficiaries intended to be task team leaders, procurement and financial management staff. While the PSU is not yet fully staffed, it is rapidly becoming a valued part of the Bank's anti-corruption machinery. In FY08, the PSU assisted more than 60 task teams with operational advice on fraud and corruption risk assessment and mitigation, and it has also reached out extensively to the Bank's regions, sectors and networks with advice, training programs, and workshops. The PSU is an active contributor to the Country Governance and Anti-corruption Strategies in Projects workgroup, which is designing tools for Bank Group staff to counter fraud and corruption, as well as a fraud and corruption core course for Task Team Leaders.

**Voluntary Disclosure Program (VDP):** The VDP is a proactive tool that combats fraud and corruption through prevention and deterrence. Under the VDP, participants commit: (i) to cease engaging in misconduct in the future; (ii) to disclose to the Bank the results of an internal investigation into their past fraud or corruption in Bank-supported projects; and (iii) to implement an internal compliance program that is monitored by a Bank-approved compliance monitor. In exchange, they avoid debarment for disclosed past misconduct, are not publicly identified, and may continue to participate in Bank Group-supported activities. Continued misconduct or a material violation of the VDP's non-negotiable terms and conditions results in a 10-year debarment.

In FY08, INT continued to provide redacted Referral Reports to member governments containing information obtained from VDP participants, which details possible transgressions of national laws. INT also continued to receive from participating companies disclosures that have added value to ongoing investigations into sanctionable practices. Notably, during FY08 several earlier entrants into the program provided valuable insights into fraudulent and corrupt practices concerning investigations that INT had underway in the roads sector. INT also admitted some new companies into the program. While the VDP's informational value must, by nature of the program, remain confidential, a properly structured VDP can provide high-quality evidence of the nature, forms, and patterns of corruption in Bank Group-supported activities and identify corrupt actors in specific instances. Moreover, knowledge derived from VDP disclosures can be mainstreamed into Bank policies and operations, to help the Bank Group, its partners and stakeholders safeguard projects throughout their implementation.

## VII. Internal Cases (Staff Misconduct)

The Bank Group's internal disciplinary process, as set forth in Staff Rule 8.01 (Disciplinary Proceedings), is separated into two distinct components: an investigative component, which in FY08 was managed solely by INT, and a decision-making component, which is the responsibility of the Bank Group's Vice President for Human Resources (HRVP). Examples of allegations of staff misconduct that can lead to investigation are set out in Table 5 below. As a result of the Volcker Panel's recommendations as agreed by Management, the responsibility for managing the investigation of allegations that do not involve significant fraud and corruption will be transferred to the Bank Group's Ethics and Business Conduct Office in FY09.

During FY08, INT closed 74 cases of alleged staff misconduct. Of these, 54 (74%) were investigated and 20 (26%) were reassigned to management, Human Resources, or other colleagues within the Conflict Resolution System (CRS) for resolution (see Table 4). Of the cases investigated, 24 (44%) were substantiated, 23 (42%) unsubstantiated and seven (13%) unfounded.<sup>2</sup>

**Table 4: Internal Cases by Investigative Outcomes (FY05–08)**

	FY05		FY06		FY07		FY08	
Cases closed	134		93		152		74	
Cases referred/not investigated	36		24		38		20	
Cases investigated	98		69		114		54	
of which:								
Substantiated	47	48%	30	44%	51	45%	24	44%
Unsubstantiated	30	31%	16	23%	38	33%	23	43%
Unfounded	21	21%	23	33%	25	22%	7	13%

<sup>2</sup> A case is "substantiated" when the evidence is *reasonably sufficient* to show that the alleged misconduct was committed; it is "unfounded" when the evidence is *reasonably sufficient* to show that the alleged misconduct did not occur; and it is "unsubstantiated" when the evidence is inconclusive or the allegation is unsupported, vague and ambiguous to warrant review.



Table 5 sets out the results of INT’s investigations which substantiated staff misconduct in FY08—by category of misconduct, action taken and grade level of subject staff member.

Table 5: Internal Substantiated Cases by Investigative Results and Sanctions, FY08		
No. of cases and category of misconduct	Actions taken	Grade
2 – Fraud and corruption (operations) Country Office (1) Washington (1)	Demotion Bar to Rehire	GH GG
8 – Fraud and corruption (admin budget) Country Office (5) Washington (3)	Termination and Bar to Rehire Termination, Bar to Rehire and Restitution Bar to Rehire Resignation Pending decision	GF, GG GB GC ETC, GB GH, STC
5 – Misuse of income tax allowances Washington (5)	Retain VPHR Decision Letter in HR File Full Compliance No sanction warranted* Pending	GF GC GC GC, GE
1 – Abuse of authority / harassment Country Office (1)	No disciplinary measure imposed	GA
1 – Sexual harassment Washington (1)	Bar to Rehire	GH
3 – Other violations of Bank Group rules Country Office (2) Washington (1)	Loss of salary increase and written reprimand Loss of benefits, loss of salary increase Pending decision	GD GH ETC
4 – Non-compliance with personal legal Obligations Country Office (1) Washington (3)	Warning Full compliance Pending decision	STT STC, STT STT
* Disciplinary action not imposed as the subject (former staff member) is no longer eligible for future employment.		

**Whistleblower policy:** A key reform, completed on June 10, 2008, was the Bank Group’s issuance of a strengthened whistleblowing policy (World Bank Staff Rule 8.02), designed to encourage staff to report misconduct that threatens the operations or governance of the Bank Group. Since INT’s inception, it has handled hundreds of cases where Bank Group staff have “blown the whistle” on suspected fraud or corruption, or other misconduct. The core objectives of the revised policy are to clarify the rights and obligations of staff in reporting misconduct that may threaten the operations or governance of the Bank Group; encourage staff to raise concerns by expanding channels for reporting—including a direct route to

the President and senior management—and strengthening protections against retaliation; and enable the organization to effectively address misconduct, manage risks and uphold standards of good governance. That new policy, which was not tested in the three weeks that remained in FY08 after adoption, matches similar policies in other multilateral institutions.

## VIII: INT Staffing and Resources

As of June 30, 2008, INT had a total of 51 staff members, a net decline of 5 as compared to end-FY07 (see Table 6), but it was anticipating the entry of more than a dozen additional staff from diverse countries, including Brazil, China, Colombia, El Salvador, Greece, India, Jamaica, Japan, Liberia, Mexico, and South Africa.<sup>3</sup> INT's total budget allocation for FY08 was US\$14.631 million (see Table 7).

**Table 6: Staffing Levels (FY05–08)**

	FY05	FY06	FY07	FY08
<i>Bank Group staff</i>				
Investigators/other specialists	33	32	38	29
ACS/other support staff	9	6	6	9
<i>Subtotal</i>	42	38	44	38
<i>Consultants/temporary staff</i>				
Investigators/other specialists	9	14	7	12
ACS/other support staff	4	5	5	1
<i>Subtotal</i>	13	19	12	13
<b>Total staff and consultants</b>	<b>55</b>	<b>57</b>	<b>56</b>	<b>51</b>

**Table 7: Budget in US\$ millions (FY05–08)**

	FY05	FY06	FY07	FY08
Base budget allocation	9.4	8.842	14.041	14.631
Additional allocation (midyear)	1.3	4.416	0	0
<b>Total budget authorization</b>	<b>10.7</b>	<b>13.258</b>	<b>14.041</b>	<b>14.631</b>

<sup>3</sup> As of January 2009, INT's team—which has increased to 76 staff, consultants and temporaries—spans 27 different nationalities and 28 different language proficiencies, with 42% representing Part II countries and 47% female.



## IX. Conclusion

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The World Bank Group has assumed an international leadership role in the global fight against fraud and corruption. As the Bank's investigative arm in this effort, INT plays a key role in partnership with the rest of the Bank, to establish a credible and effective framework for fighting fraud and corruption. Reducing fraud and corruption in Bank-supported projects is a key component in the Bank Group's effort to fulfill its mission: a permanent reduction in the extent of poverty in the world.

Annex A: Trends in Caseload – FY99–08										
	FY99	FY00	FY01	FY02	FY03	FY04	FY05	FY06	FY07	FY08
<i>Total investigations caseload</i>										
Carried over	–	66	227	470	430	321	318	243	294	232
New cases	167	400	545	550	339	354	352	292	239	223
Cases closed	101	239	297	590	448	341	427	241	301	243
<b>Year-end total</b>	<b>66</b>	<b>227</b>	<b>470</b>	<b>430</b>	<b>321</b>	<b>318</b>	<b>243</b>	<b>294</b>	<b>232</b>	<b>212</b>
<i>Internal investigations caseload</i>										
Carried over	–	19	52	109	112	71	94	77	86	57
New cases	91	160	176	137	125	151	117	102	123	71
Cases closed	72	127	119	134	160	118	134	93	152	74
<b>Year-end total</b>	<b>19</b>	<b>52</b>	<b>109</b>	<b>112</b>	<b>77</b>	<b>94</b>	<b>77</b>	<b>86</b>	<b>57</b>	<b>54</b>
<i>External investigations caseload</i>										
Carried over	–	47	175	361	318	244	224	166	208	175
New cases	76	240	369	413	214	203	235	190	116	152
Cases closed	29	112	178	456	288	223	293	148	149	169
<b>Year-end total</b>	<b>47</b>	<b>175</b>	<b>361</b>	<b>318</b>	<b>244</b>	<b>224</b>	<b>166</b>	<b>208</b>	<b>175</b>	<b>158</b>



## How to Report Allegations of Fraud, Corruption, or Staff Misconduct

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Allegations must concern the Bank Group or Bank-financed operations:

### DIRECTLY

Telephone: +1-202-458-7677

Fax: +1-202-522-7140

E-mail: [investigations\\_hotline@worldbank.org](mailto:investigations_hotline@worldbank.org)

### THROUGH A TOLL-FREE INDEPENDENT FRAUD AND CORRUPTION HOTLINE (external service — 24 hours/day):

Telephone: +1-800-831-0463 (translation facilities available)

To reverse the charges (collect calls) +1-704-556-7046

**Country Office staff:** call the toll-free number through an AT&T operator or call the collect number.

### BY MAIL

PMB 3767  
13950 Ballantyne Corporate Place  
Charlotte, NC 28277  
USA

If you choose to call anonymously, please be as specific as possible with the information you provide.



[www.worldbank.org/integrity](http://www.worldbank.org/integrity)

