



Investigative Processes of the World
Bank's Integrity Vice Presidency
Informal Briefing

The World Bank Group
February 24, 2009

INT's Mandate

INT is an independent unit of the World Bank, reporting directly to the Bank's President. Established in 2001 by World Bank President James Wolfensohn, INT's mandate is to:

- **Investigate allegations of fraud, corruption, collusion, coercion and obstruction** in Bank Group operations.
 - **Assist in prevention**, to protect Bank Group funds and funds held in trust from misuse and to deter fraud and corruption in Bank Group operations.
- *INT Terms of Reference (Approved by Board of Directors July 2004)*



INT conducts **administrative fact-finding** according to the World Bank's standards, benchmarked against other international organizations.

INT's Staff Profile

INT staff is comprised of specialists in:

- Law
- Prosecution
- Investigation (at international, national and state levels)
- Forensic accounting / financial analysis
- Criminology
- Research
- Data management
- Engineering, procurement

 56 staff members spanning 27 nationalities and 26 different language proficiencies

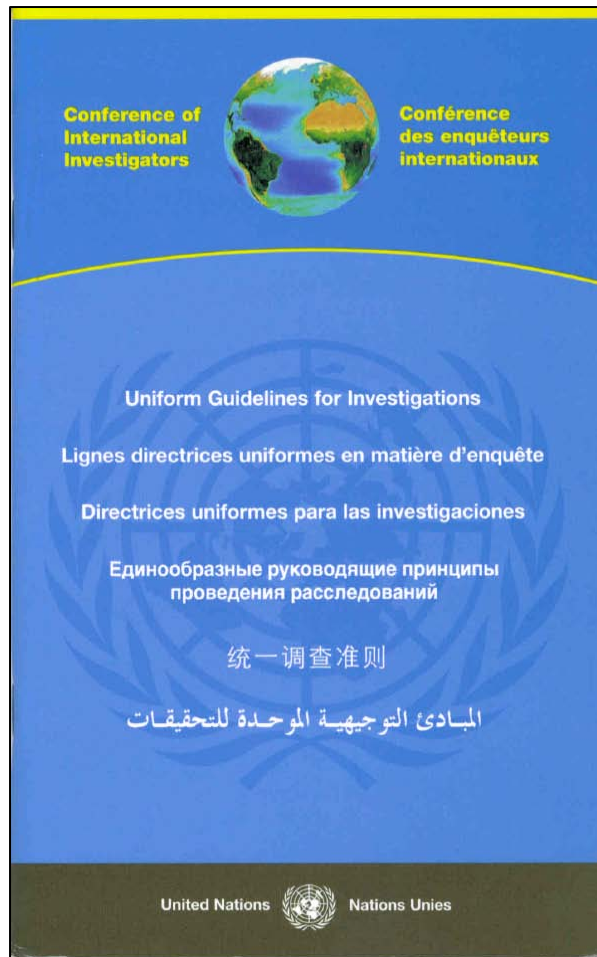
What INT does:

- Administrative fact-finding (not criminal investigation) to determine whether firms or individuals have engaged in sanctionable practices in Bank-financed activities, as defined under Bank rules approved by our member countries
- Allows Bank to assess whether allegations constitute violations of Legal covenants in World Bank loan and finance agreements
- Examines past transactions and events to assess what has occurred
- Obtains, evaluates, and analyzes information and evidence independently and without bias
- Reports its findings to various decision-makers, such as Regional VPs or Government, for review and determination of what actions to take

 *INT does not itself take administrative action or impose sanctions*

INT's investigative guidelines

Standard guidelines among all MDBs, based on the *Uniform Guidelines for Investigations* and informed by the UN Convention on Anti-Corruption



What INT Investigates:

Allegations or suspicions of fraud, corruption, collusion, coercion, and obstruction related to Bank Group-supported activities

Definitions of Sanctionable Practices (2006)

- **Fraud:** A “fraudulent practice” is any act or omission, including a misrepresentation, that knowingly or recklessly¹⁰ misleads, or attempts to mislead, a party to obtain a financial or other benefit or to avoid an obligation.
- **Corruption:** A “corrupt practice” is the offering, giving, receiving or soliciting, directly or indirectly, of anything of value to influence improperly the actions of another party.
- **Collusion:** A “collusive practice” is an arrangement between two or more parties designed to achieve an improper purpose, including to influence improperly the actions of another party.
- **Coercion:** A “coercive practice” is impairing or harming, or threatening to impair or harm, directly or indirectly, any party or the property of the party to influence improperly the actions of a party.
- **Obstruction:** An “obstructive practice” is (i) deliberately destroying, falsifying, altering or concealing of evidence material to the investigation or making false statements to investigators in order to materially impede a Bank investigation into allegations of a corrupt, fraudulent, coercive or collusive practice; and/or threatening, harassing or intimidating any party to prevent it from disclosing its knowledge of matters relevant to the investigation or from pursuing the investigation, or (ii) acts intended to materially impede the exercise of the Bank’s contractual rights of audit or access to information.

Investigation Examples

(Not from Philippines)

Example 1: Fraud and corruption

Rural Roads project



- **Road 30% narrower than specifications**
- **No road surfacing, contrary to specifications**
- **Sub-standard quality**

▶ Contract paid in full

Example 2: Front Company Fraud

Proposal of Design Consultant

PRINCIPAL PLACE OF COMPANY

Company: [Redacted]

Address: [Redacted]

Telephone : [611 321] Fax : [Redacted]

E-mail : [Redacted]

To : [Redacted]

Dear Sir,

1- We hereby apply to be considered as a competent designer for the works such as :

- General Construction
- Architectural Services
- Civil Engineering
- Landscaping
- Decoration

2- The names and position of persons, who may be contacted for further information, if required, are as follows:

Name	Position	Phone
[Redacted]	Director	[Redacted]
[Redacted]	Technical Director	[Redacted]
[Redacted]	Project Manager	[Redacted]
[Redacted]	Financial	[Redacted]

3. We declare that the statements made and the information provided in the duly completed application are true to the best of our knowledge and belief, and we understand that, if any false or deliberately misleading information has been given, our application may be disqualified.

Bid of Winning Contractor

Company: [Redacted]

Address: [Redacted]

Telephone : [611 322] Fax : [Redacted]

E-mail : [Redacted]

To : [Redacted]

Dear Sir,

1- We hereby apply to be considered as a competent designer for the works such as :

- General Construction
- Architectural Design, Research and Consultant
- Civil Engineering
- Landscaping
- Decoration

2- The names and position of persons, who may be contacted for further information, if required, are as follows:

Name	Position	Phone
[Redacted]	Engineering consultant	[Redacted]
[Redacted]	Technical Director	[Redacted]
[Redacted]	Project Manager	[Redacted]
[Redacted]	Financial Manager	[Redacted]

3. We declare that the statements made and the information provided in the duly completed application are true to the best of our knowledge and belief, and we understand that, if any false or deliberately misleading information has been given, our application may be disqualified.

Yours sincerely,

[Redacted]

Different names

Similar tel

Same business
Same mistake

Same name

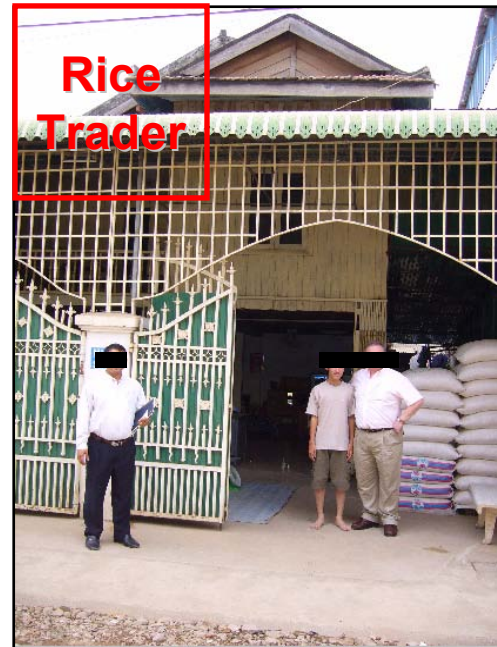
▶ Contravenes Clause 1.9a of Bank Procurement Guidelines on Conflict of Interest

Example 2: Front Company Fraud II

Addresses for front company in bidding documents



Additional addresses registered at the Ministry of Commerce



Several false addresses – no trace of company

Collusion

Indicators of collusion are generally found during the review of bidding documents and can include:

- **Symmetry among bid prices**
- **“Unnatural” numbers (e.g.: 6,565,656.56)**
- **Questionable disqualification of bidders**
- **Abnormally high bids**
- **Sequential bid securities**
- **Identical or near identical prices**
- **Inflated prices**
- **Rotating winners**

Example 3: Collusion Indicator Sequential Bid Securities - Bought same day, from same Bank

MINISTRY OF [REDACTED]
PAY TO THE ORDER OF [REDACTED]
USD3,000.00
THE SUM OF THREE THOUSAND DOLLARS
FROM: [REDACTED] Y CONSTRUCTION CO., LTD.
BANKER'S CHEQUE.
[Signature] [Signature]
[REDACTED] HAN [REDACTED] UY

NO. 005919
08 NOV 2002
DAY MONTH YEAR

Company A

MINISTRY OF [REDACTED]
PAY TO THE ORDER OF [REDACTED]
USD3,000.00
THE SUM OF THREE THOUSAND DOLLARS
FROM: [REDACTED] H CONSTRUCTION CO., LTD.
BANKER'S CHEQUE.
[Signature] [Signature]
[REDACTED] HAN [REDACTED] UY

NO. 005920
08 NOV 2002
DAY MONTH YEAR

Company B

MINISTRY OF [REDACTED]
PAY TO THE ORDER OF [REDACTED]
USD2,950.00
THE SUM OF TWO THOUSAND NINE HUNDRED AND FIFTY DOLLARS
FROM: [REDACTED] M CONSTRUCTION CO., LTD.
BANKER'S CHEQUE.
[Signature] [Signature]
[REDACTED] HAN [REDACTED] UY

NO. 005921
08 NOV 2002
DAY MONTH YEAR

Company C

MINISTRY OF [REDACTED]
PAY TO THE ORDER OF [REDACTED]
USD2,900.00
THE SUM OF TWO THOUSAND NINE HUNDRED DOLLARS
FROM: [REDACTED] G CONSTRUCTION CO., LTD.
BANKER'S CHEQUE.
[Signature] [Signature]
[REDACTED] HAN [REDACTED] UY

NO. 005922
08 NOV 2002
DAY MONTH YEAR

Company D

MINISTRY OF [REDACTED]
PAY TO THE ORDER OF [REDACTED]
USD3,000.00
THE SUM OF THREE THOUSAND DOLLARS
FROM: [REDACTED] G CONSTRUCTION & DEVELOPMENT
PTE., LTD.
BANKER'S CHEQUE.
[Signature] [Signature]
[REDACTED] HAN [REDACTED] UY

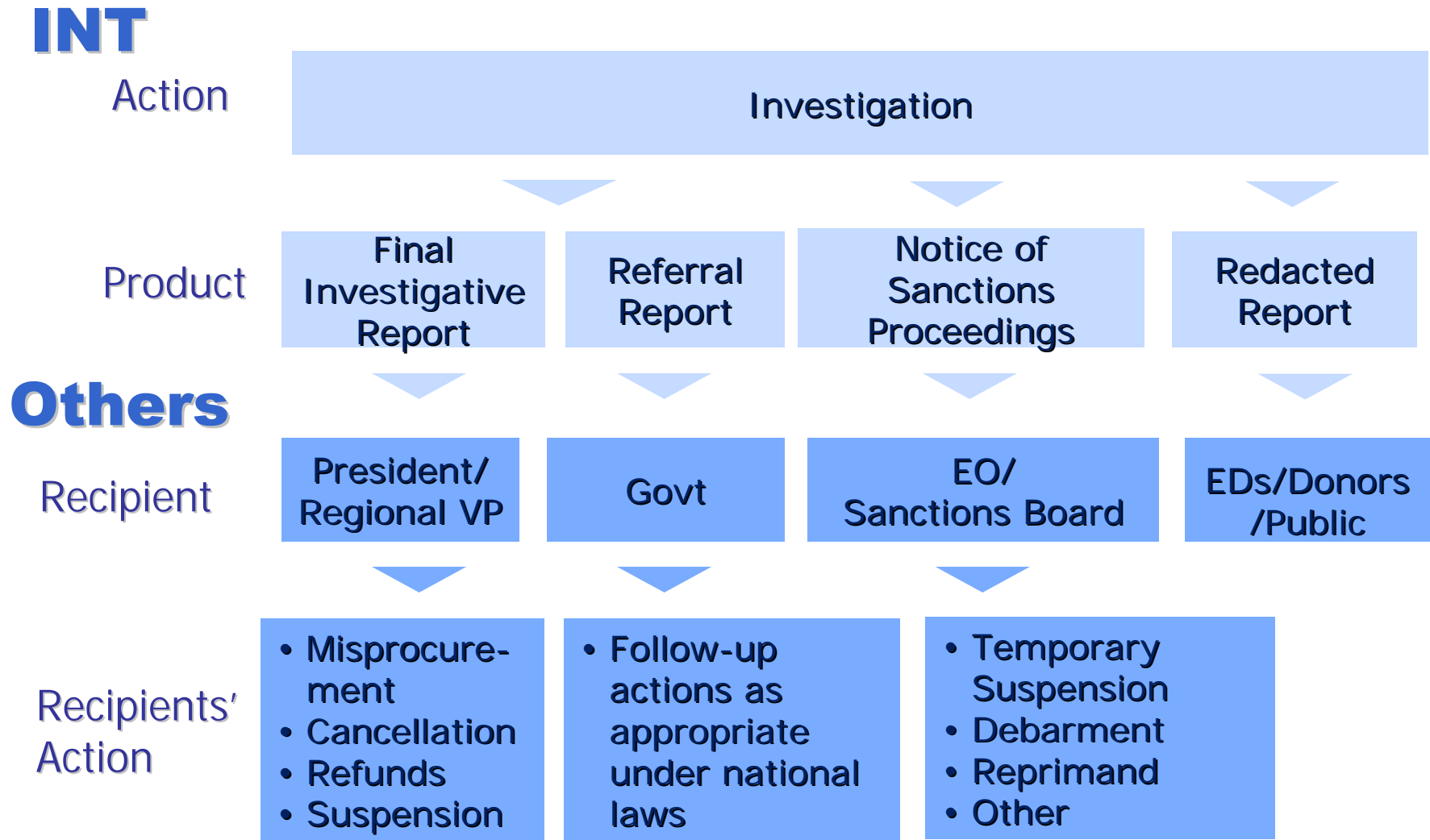
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Company E

Post-Investigative Work

INT's Role:


Supporting other Decision-makers



Reports and recipients

- **Final Investigative Report:** Summary of findings issued by INT to Bank management on a Strictly Confidential basis to allow remedial action, if necessary.
- **Referral Report:** Summary of findings issued by INT to Governments and/or other recipients affected by INT's findings (e.g.: other IFIs) on a Strictly Confidential basis for action under sovereign law or governing policy. Makes no judgment as to whether laws have been violated.
- **Notice of Sanctions Proceedings:** Strictly Confidential document produced by INT and issued by Bank's Evaluation and Suspension Officer to Respondents in Sanctions cases, including evidence necessary for Respondents to answer allegations against them.
- **Sanctions Board Decision:** Issued by Sanctions Board to sanctioned firms and individuals.
- **Redacted Report:** INT issues to Government, Bank's Board and public (since 2008).

The Sanctions Process



The WBG as a corporate entity has the ability to determine whether or not it wishes to conduct business with any firm or individual. It has delegated to the Sanctions Board that determination for firms and individuals that may have engaged in sanctionable practices in Bank Group-financed activities. Sanctions do not apply to Member Country Governments or Government officials.

INT's role

- Represents Bank Group's interests in the sanctions process
- Is an objective finder of fact
- Produces Notice of Sanctions Proceedings and submits to Evaluation and Suspensions Officer

Evaluation and Suspension Officer's role

- Determines whether there is sufficient evidence to support a finding that respondent engaged in alleged sanctionable practice
- Recommends appropriate sanction to be imposed on respondent
- Imposes temporary suspension and issues Notice of Sanctions Proceedings

Sanctions Board's role

- In uncontested proceedings, imposes sanction recommended by EO
- In contested proceedings, evaluates all evidence and determines whether it is "more likely than not" that respondent engaged in a sanctionable practice and, if so, imposes appropriate sanction
- Holds hearing if requested by respondent or INT
- Issues Sanctions decision, which can include Letter of Reprimand, conditional debarment, or permanent debarment, among others

Referral Reports

The World Bank issues strictly confidential Referral Reports for information and/or follow-up action, consistent with its obligations to member countries

- Follow-up action subject to laws and procedures of the sovereign state or other recipient organization, such as other IFI cofinancier
- Referrals always accompanied by offer of further assistance

Purpose

- Assist Government in its own investigation or administrative action
- Notify Government of irregularities, so risks can be addressed

Referral Reports explicitly state:

- The findings are based on the Bank's own rules and procedures
- The Government may wish, at its discretion, to use the Report as a basis for undertaking its own investigation to determine whether any of its laws have been violated.
- But they should not be used by the Government as evidence or solely as the basis for initiating any administrative, criminal, or civil proceedings.

NRIMP-1 Investigation and Sanctions Timeline

- **February 2000:** Bank approves NRIMP-1 loan
- **April 2003:** Bank project team suspects procurement irregularities, reports immediately to INT
- **April 2003:** INT opens case, which eventually involves 10+ staff working in six countries over more than three years
- **May 2006:** INT briefs Office of Ombudsman orally on interim findings of NRIMP investigation
- **November 2007:** INT closes investigation, issues Referral Report to Department of Finance and Office of Ombudsman, offering further assistance if requested
- **January 2008:** INT investigators meet with Office of Ombudsman to further discuss case, offer additional assistance
- **May 2008:** Bank issues Notice of Sanctions Proceedings to Respondents, who are given 90 days to respond
- **August 2008:** Bank debars one Korean firm, which did not contest Sanctions Notice
- **November 2008:** Sanctions Board holds hearing during which arguments are heard from INT and Respondents
- **January 2009:** Bank debars seven additional firms and one individual, all of whom had issued responses to Notice
- **February 2009:** Bank provides additional documentary evidence to Office of Ombudsman and offers further assistance, including offer from VP of INT to meet personally with Office of Ombudsman

Results and Examples of National Follow-up

INT results since 1999

- Nearly 3,000 cases closed
- 351 firms and individuals publicly debarred based on cases brought through sanctions process

National Follow-up

- More than 28 criminal convictions in multiple jurisdictions, including Guinea, Sweden, and the United States, based on INT referrals

Investigations and accountability are fundamental to...

- Fulfilling the Bank's fiduciary obligations
- Addressing reputational risks about the effective use of development assistance
- Deterring corruption
- Achieving development effectiveness