

Role of INT Expanded

- April 11, 2006: Paul Wolfowitz outlines a comprehensive strategy for tackling corruption at:
 - country level
 - in Bank projects
 - through partnerships

- For INT this means being closer to operations to:
 - Review project pipeline before submission to the Board
 - Make recommendations in operationally relevant Final Reports
 - Mainstream lessons learned into future operations
 - Assist in development of risk mitigation measures

- INT resources, staff, and skills strengthened to support this strategy

Sources of Allegations

➤ **Business Community**

- Losing bidders
- Disgruntled employees, partners, local agents
- Corporations

➤ **World Bank staff**

- Task team (usually following a Supervision Mission)
- Procurement staff
- Financial management, disbursement and accounting
- Internal Audit and Ethics Office

➤ **Others**

- Private citizens, journalists
- Project or Government officials
- NGOs

The Anatomy of Corruption:

1. **BRIBERY** buys inside information, wins the contract award, gets invoices paid, dilutes quality controls
2. **BID RIGGING** simulates competition, excludes competitors, favors less competent contractors
3. **FRAUD** increases earnings, recovers the cost of the bribe

Bribery: Behavior of Contractors and Project Officials are often Indicators

Contractor

- Administrative and “entertainment” expenses

Middlemen

- Presence of unnecessary agents, subcontractors, local partners
- Involvement of “Loan Brokers”

Project Officials

- Project official takes an unusual interest in the process
- Project officials live beyond means

Procurement

- Irregular contract award
- Unexplained delays to sign procurement or contract and/or to issue payments

Bid Rigging:

Red Flags in the Procurement Process

Within a Contract

- Improper sole source awards
- Split purchases
- Rigged specifications
- Unreasonable pre-qualification procedures
- Unbalanced bidding
- Unusual bid patterns: winning bid just under threshold; losing bids exact percentage apart
- Losing bidders become subcontractors
- Sequential, false or forged bid securities
- Connections between bidders

Across Contracts

- Rotation of winning bidders
- Exclusion of potential new bidder
- Persistent high prices

Fraud: Detection Tools Examples

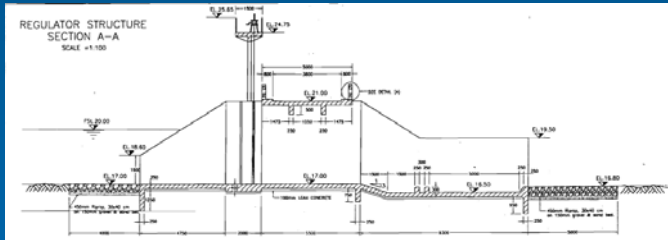
Same Company's Bid Comparison

- Uses the same bank or the same bid securities?
- Submits contradictory experience?
- Same staff CVs differ among each other?

Report and Invoice Analysis

- Are invoices numbers too consecutive?
- Are inspectors or staff signatures too different?

Fraud, Collusion and Corruption: Impact



Sluice-gate mechanism starting to rust



Small Scale Irrigation Scheme (Lot 3)

Settlement and cracking of rip-rap adjacent to main sluice gate structure



Earth bund already showing erosion





How to report allegations of fraud, corruption or staff misconduct

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

Contact INT directly:

Email: investigations_hotline@worldbank.org

Telephone: 202-458-7677; 1-800-831-0463 (24 hrs.);
704-556-7046 (collect)

Fax: 202-522-7140

Website: www.worldbank.org/integrity (“Online Complaint Form”)

By mail: PMB 3767; 13950 Ballantyne Corporate Place;
Charlotte, North Carolina USA 28277

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