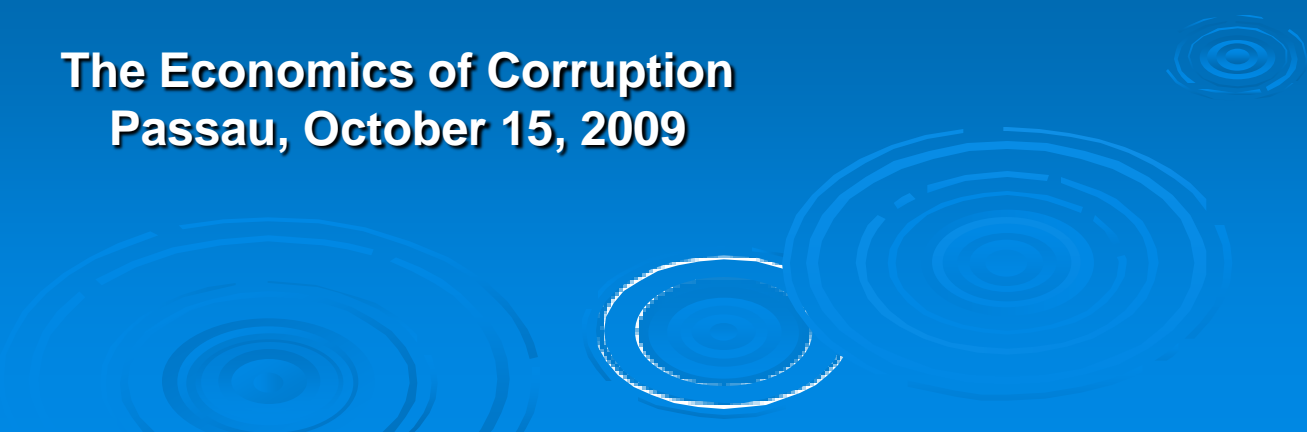




# Transnational Corruption Investigations

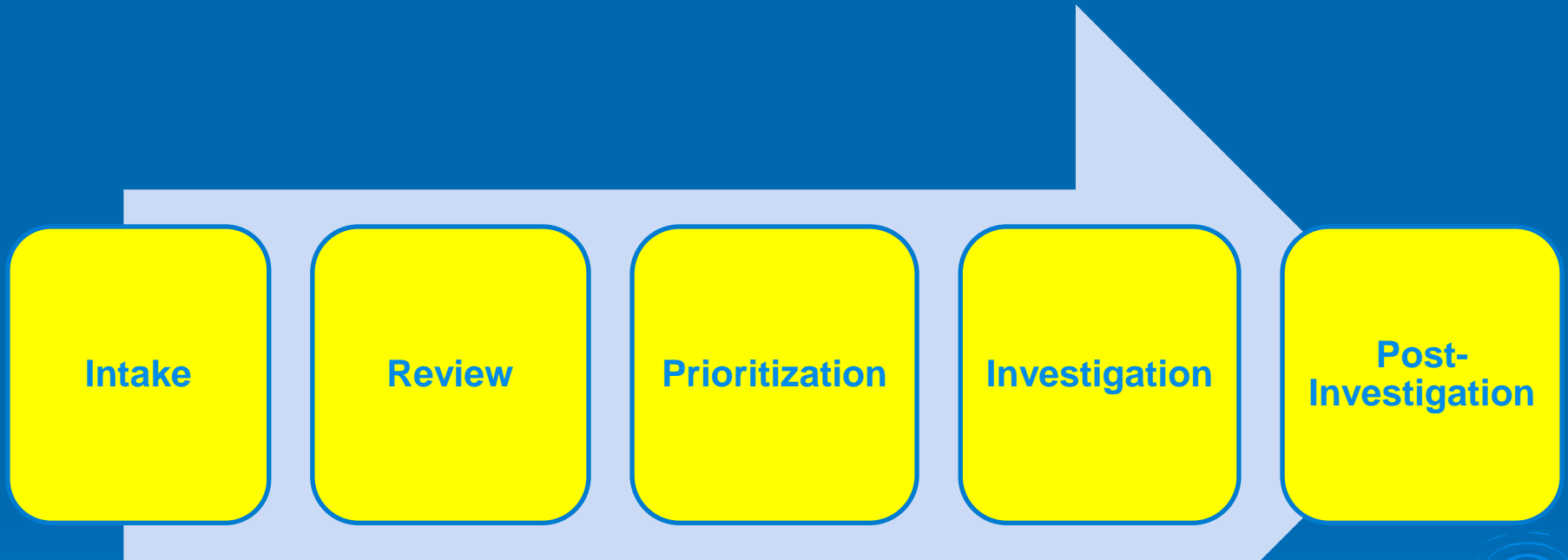
## *Intelligence, Evidence, and Remote Detection Tools*

The Economics of Corruption  
Passau, October 15, 2009





# What happens during an investigation



Intake

Review

Prioritization

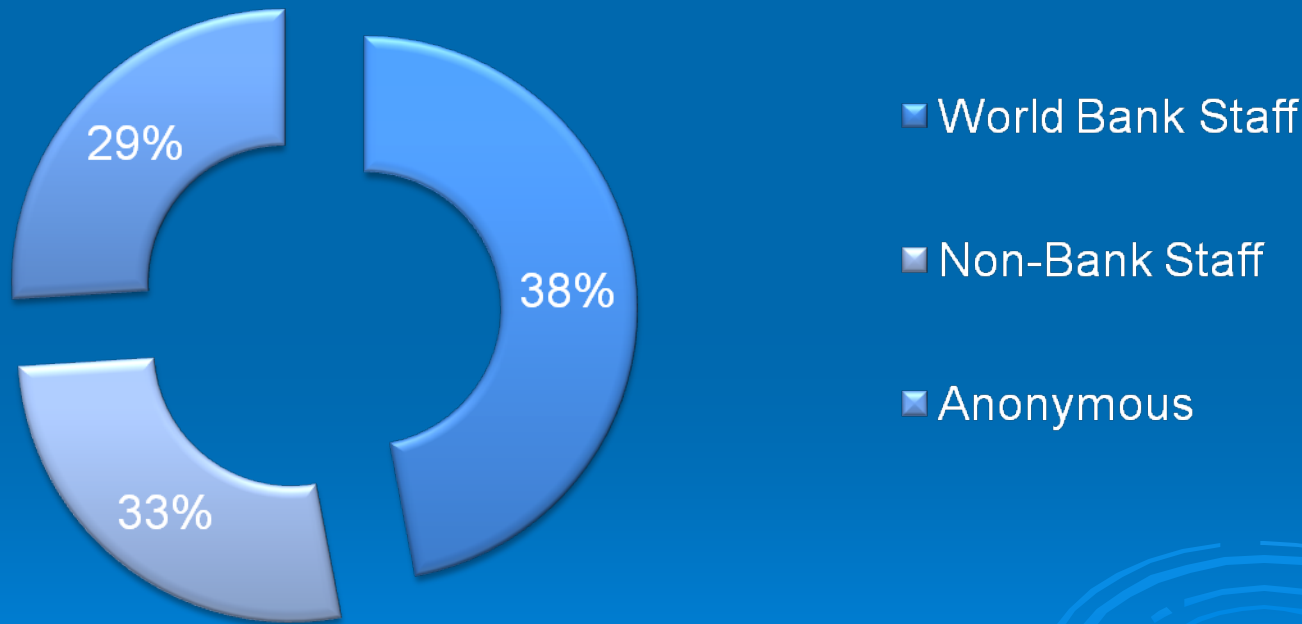
Investigation

Post-  
Investigation



# Where do complaints come from

Sources of complaints INT received  
(external investigations)





# Investigations: Triangular Transnational Fraud and Corruption



# Transnational Corruption

## Transnational Corruption:

Fraud and corruption involving parties from more than one country

## “Linear” Transnational Corruption

- Bribery by multinational companies outside of their home country
- Bribery by companies in their home country using “off-shore” facilities

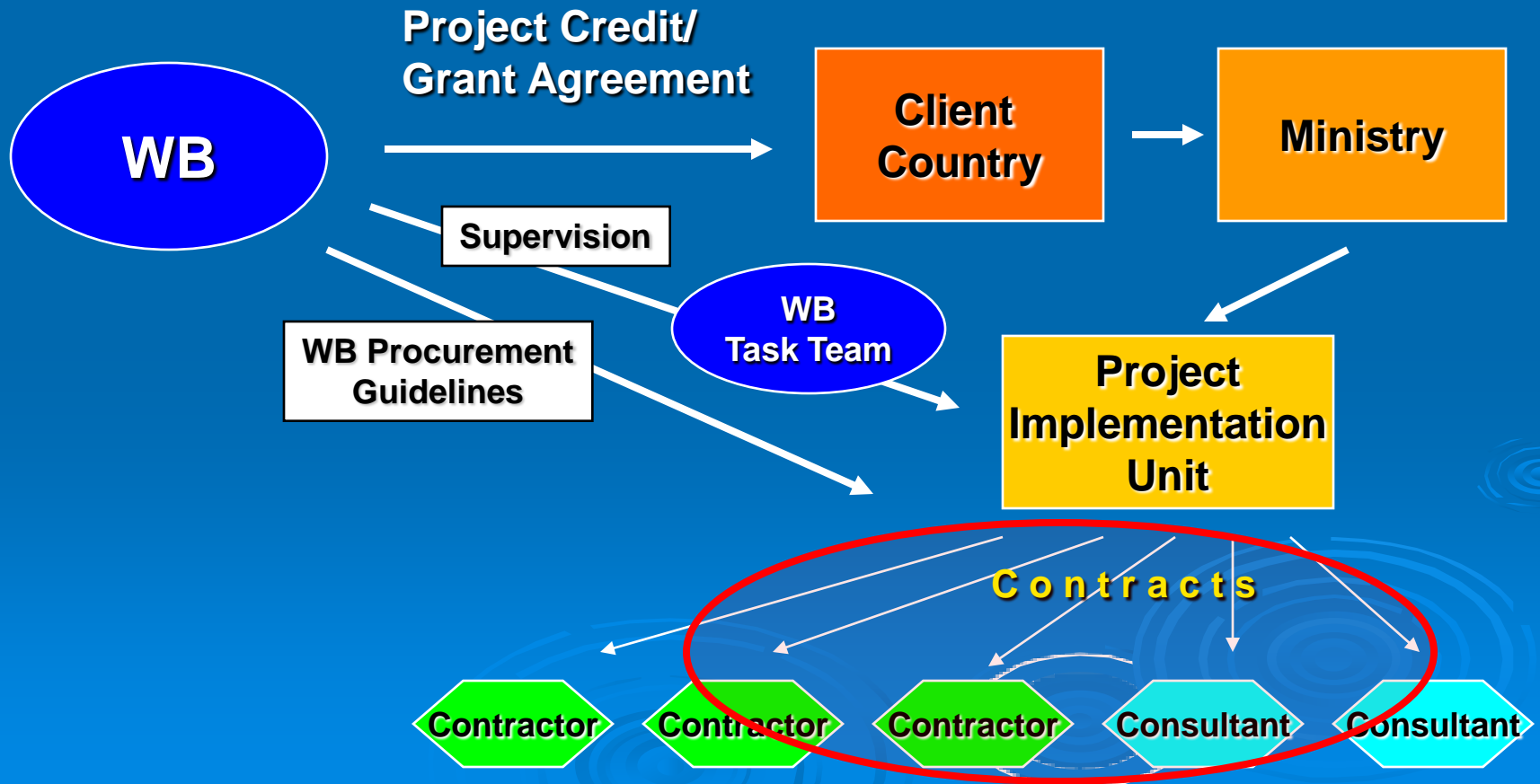
## “Triangular” Transnational Corruption

- Fraud and corruption involving funds supplied and supervised by independent, national or supranational third parties, e.g. development aid from
  - Donor Countries
  - Multilateral Development Banks
  - Private Institutions



# Triangular Transnational Corruption

Focus of project vulnerability for corruption and fraud







# Fraud and Corruption: Rural Roads Project



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

**▶ Contract paid in full**



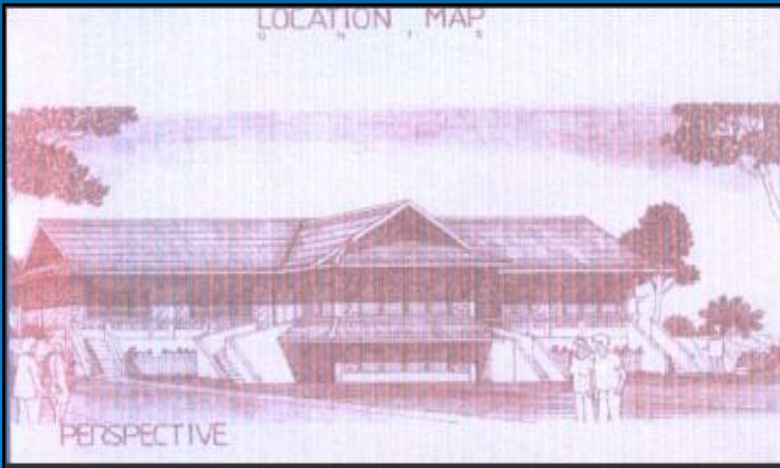
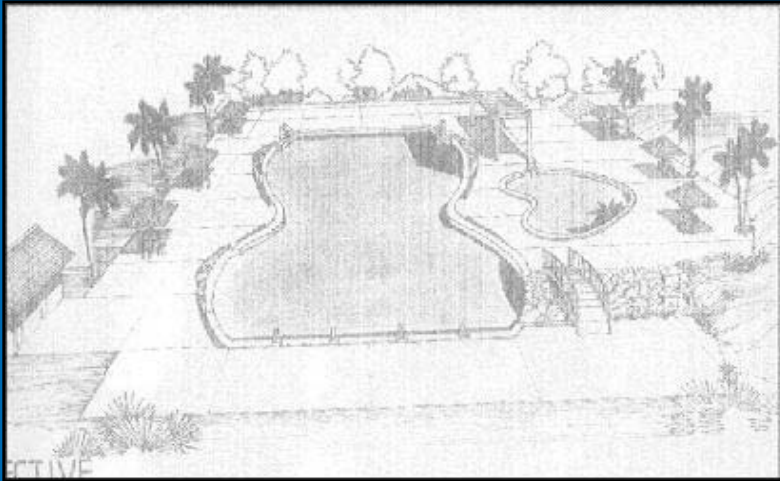


# Fraud and Corruption

## Trust Fund Conservation Project

Design of hot springs spa for  
ecotourism center

Status after >50% disbursed with  
30 days left to completion



➔ No supervision mission conducted to this remote site





# Bid Rigging: Cartels

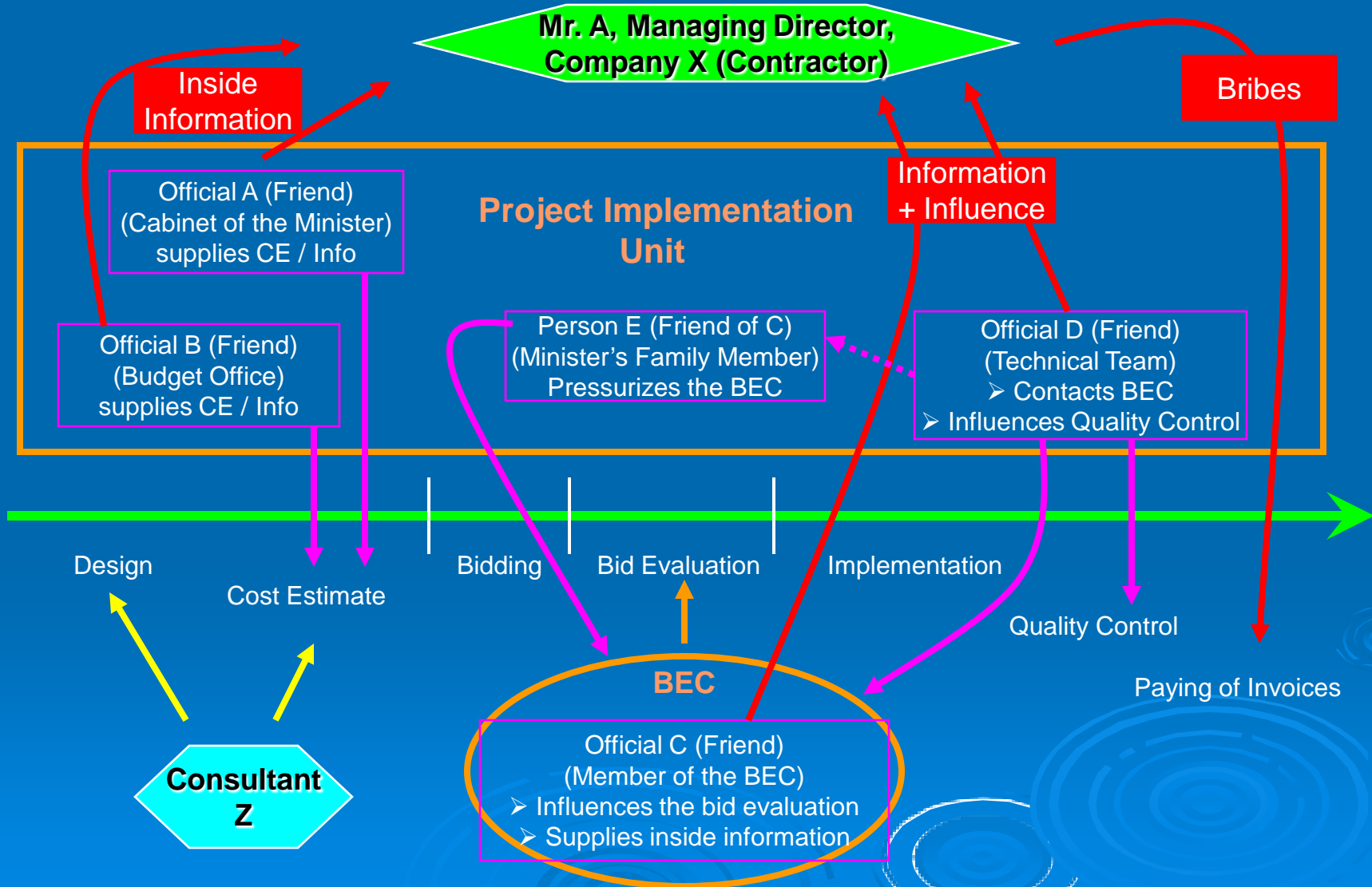
***“People of the same trade seldom meet together, even for merriment and diversion, but the conversation ends in a conspiracy against the public, or in some contrivance to raise prices.”***

Adam Smith, *The Wealth of Nations*, 1776



# Corruption-Enabled Contract Implementation

Network to secure and implement several construction contracts



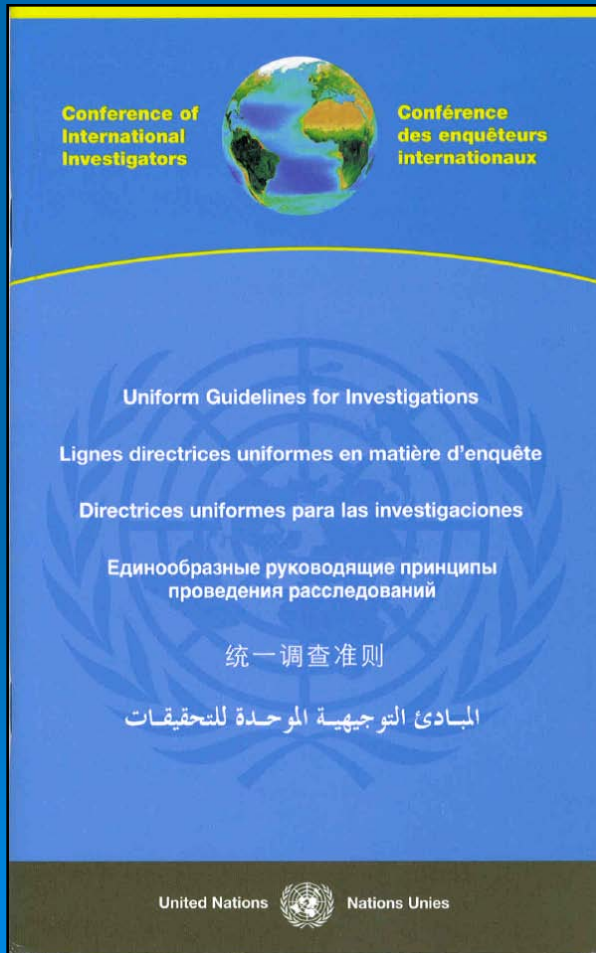


# The Investigative Process



# 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







# Confidentiality of Witnesses

## Uniform Guidelines for Investigation (Conference of Investigators/UN):

### C: Confidentiality and Protection of Witnesses

- Where an individual makes a complaint on a matter subject to the authority of the investigative office, **that individual's identity should be protected from unauthorized disclosure by the investigative office.**

## United Nations Convention on Anti-Corruption

### Article 32: *Protection of witnesses, experts and victims*

- 2(a). Establishing procedures for the physical protection of such persons, such as, to the extent necessary and feasible, relocating them and **permitting, where appropriate, non-disclosure or limitations on the disclosure of information concerning the identity and whereabouts of such persons.**

## IFI Principles and Guidelines for Investigations

7. The Investigative Office shall take **reasonable measures to protect as confidential any non-public information associated with an investigation, including the identity of parties that are the subject of the investigation and of parties providing testimony or evidence.**

## Staff Rule 8.01

### 05. Reporting of Misconduct - *Confidentiality and Anonymity*

- 5.01 **A staff member who reports suspected misconduct may choose to remain anonymous or request that his or her name be kept confidential.**



# Post-Investigative Work



# Products, Decisions and Recipients: Referrals

I  
N  
T

Action

**Investigation**

Products

**Investigative Report**

**Referral Report**

**Proposed Notice of Sanctions Proceedings**

O  
T  
H  
E  
R

Recipients

**President/Region/  
IFC/ MIGA**

**Government/  
MDBs**

**Evaluation and  
Suspension Officer and  
Sanctions Board**

Decisions

- Misprocurement
- Cancellation
- Review of contracts

- Suspension of corrupt officials
- Investigation
- Project reviews

- Debarment
- Reprimand
- Other



# Referral

## Referrals made in consultation with Legal for information and/or follow-up action, consistent with obligations to member countries

- Follow-up action subject to laws and procedures of the sovereign state or other recipient organization

## Purpose of referrals:

- Assist Government in its own investigation or administrative action
- Notify Government of irregularities, so risks can be addressed
- Alleged misconduct is outside INT mandate (child trafficking)
- Actions uncovered require immediate action (criminal enterprise, risk of public safety, etc.)

## Referral Reports explicitly state:

*“[As] the findings in this Report are based on the Bank’s own rules and procedures, they should not be used by the Government as the basis for initiating any administrative, criminal, or civil proceeding. The Government may wish to undertake its own investigation into the matter to determine whether any of its laws have been violated.”*





# Products, Decisions and Recipients: Sanctions

I  
N  
T

Action

**Investigation**

Products

**Investigative Report**

**Referral Report**

**Proposed Notice of Sanctions Proceedings**

O  
T  
H  
E  
R

Recipients

**President/Region/  
IFC/ MIGA**

**Government**

**Evaluation and  
Suspension Officer and  
Sanctions Board**

Decisions

- Misprocurement
- Cancellation
- Review of contracts

- Suspension of corrupt officials
- Investigation
- Project reviews

- Debarment
- Reprimand
- Other



# 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 engaging in sanctionable practices in Bank Group-financed activities.*

## **INT's role**

- Represents Bank Group's interests in the sanctions process
- Is an objective finder of fact
- Introduces cases into sanctions process for a determination of whether evidence is sufficient to merit sanctioning respondent

## **Evaluation and Suspension Officer's role**

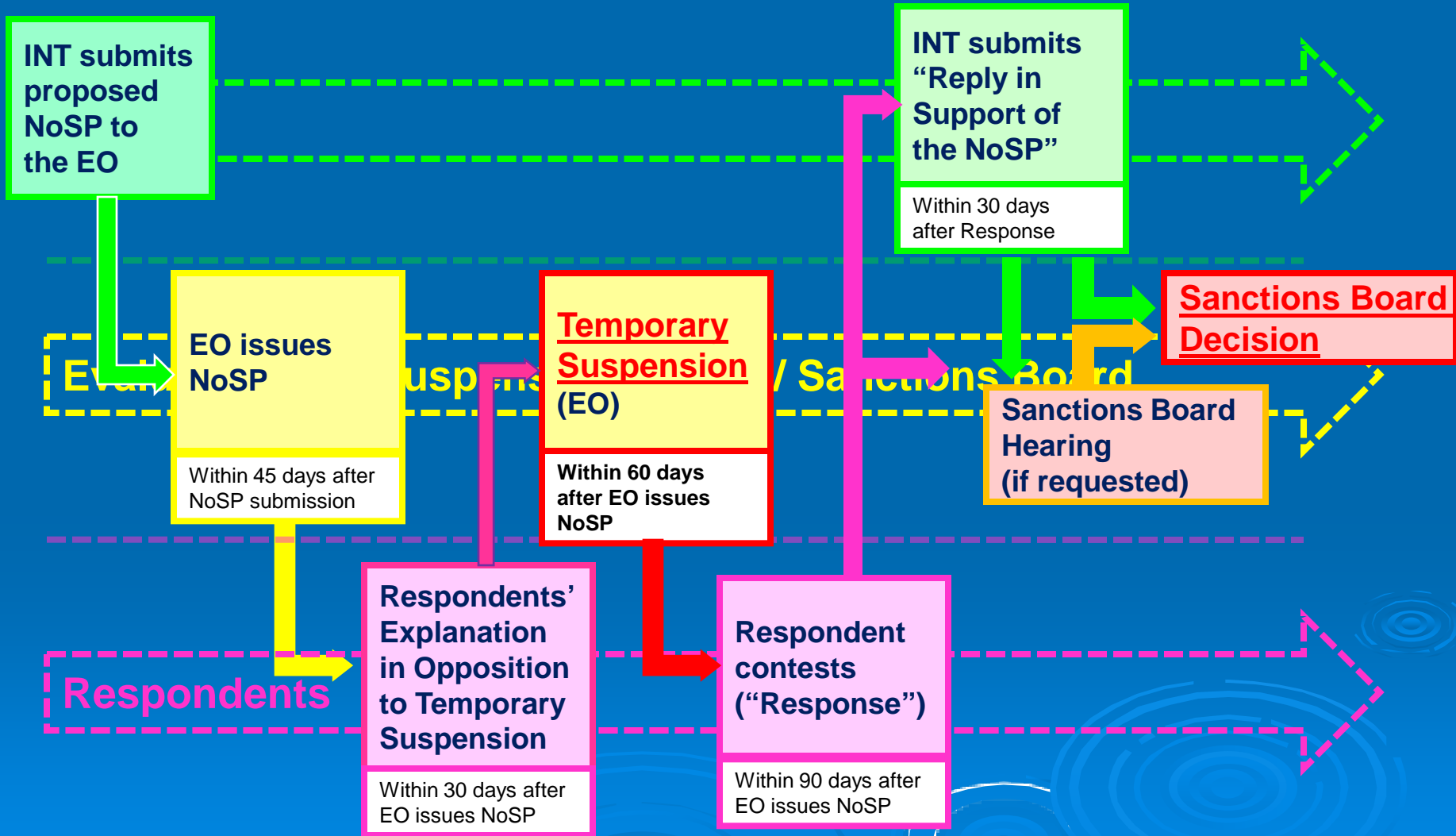
- Determines whether there is sufficient evidence to support a finding that respondent engaged in alleged sanctionable practice
- Recommends appropriate sanction to be imposed on respondent
- Imposes temporary suspension

## **Sanctions Board's role**

- In uncontested proceedings, imposes sanction recommended by EO
- In contested proceedings, determines whether it is "more likely than not" that respondent engaged in a sanctionable practice and, if so, determines and imposes appropriate sanction



# Sanctions Proceedings





# Types of Sanctions

- **Debarment**

Respondent is declared ineligible to be awarded a contract for any Bank Project, either indefinitely or for a stated period of time.
- **Letter of Reprimand**

Respondent is reprimanded by a formal “Letter of Reprimand”.
- **Conditional Non-Debarment**

Respondent is required to comply with certain remedial, preventative or other measures as a condition to avoid debarment.
- **Debarment with Conditional Release**

Respondent’s period of debarment would be reduced or terminated if the Respondent demonstrates compliance with condition of release.
- **Restitution**

Respondent is required to make restitution of diverted funds to the Borrower or to any other party.





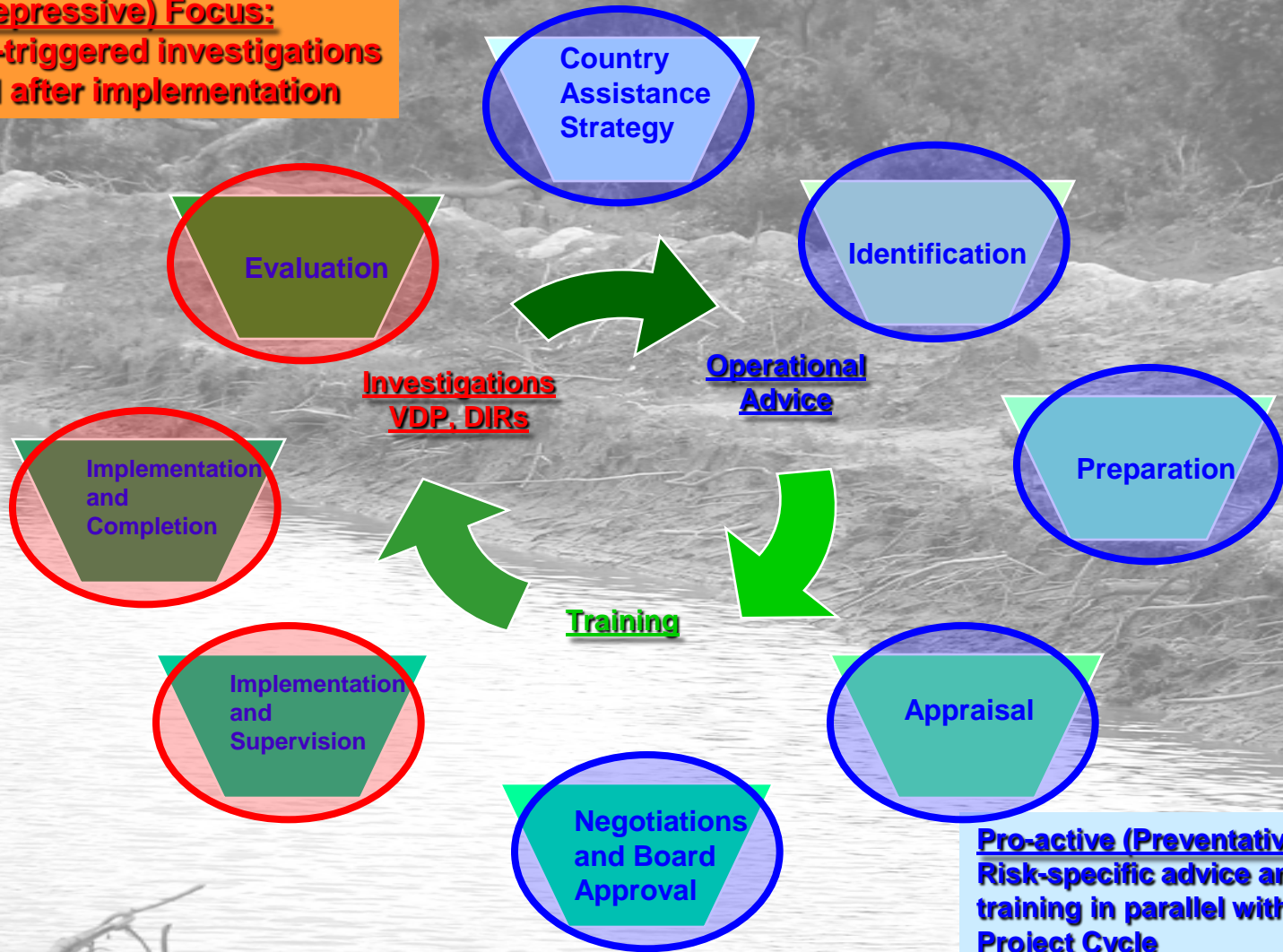
# **Closing the Loop**

## ***Using Investigative Findings to Prevent Fraud and Corruption***



# INT and the Project Cycle

**Classic (Repressive) Focus:**  
Complaint-triggered investigations  
during and after implementation





# 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](mailto:investigations_hotline@worldbank.org)

Telephone: 202-458-7677

Fax: 202-522-7140

Website: [www.worldbank.org/integrity](http://www.worldbank.org/integrity) ("Online Complaint Form")

If you wish to remain anonymous, we encourage use of a free email service (such as Hotmail or Yahoo) to create a temporary email account using a pseudonym, so that we may correspond with you as necessary. This can be helpful in pursuing your allegation.