

Business Integrity and Anticorruption Initiatives of the World Bank

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“All of us – lenders, borrowers, contractors and civil society – have to make a strong commitment against corruption, the number one challenge in reducing poverty now”

James D. Wolfensohn (April 21, 2004)

What We Will Discuss Today

- Context: The anti-corruption imperative
- World Bank's anti-corruption strategy
- Dept of Institutional Integrity update
- Recent WB policy changes
- Approach to investigations
- Issues of mutual interest

Context:

The Anti-Corruption Imperative

- Growing pressure from donors to curb corruption and improve “governance” to enhance the development effectiveness of aid
- Similar pressure from civil society in many countries to improve public sector accountability
- Anti-corruption conventions at national, regional, and global levels making bribe payments illegal – e.g. UN Convention on Anti-corruption (Merida Convention)

Changing Business Environment

- More firms (but not all) want a level playing field and an end to the need for illegal payments
- Increasing competitive international business environment – bribes raise costs, cut profits
- Tension between international and local firms
- More chances of getting caught
- Reputational risk greater than ever

World Bank's Anti-Corruption Strategy

1996 Wolfensohn speech led to plan for:

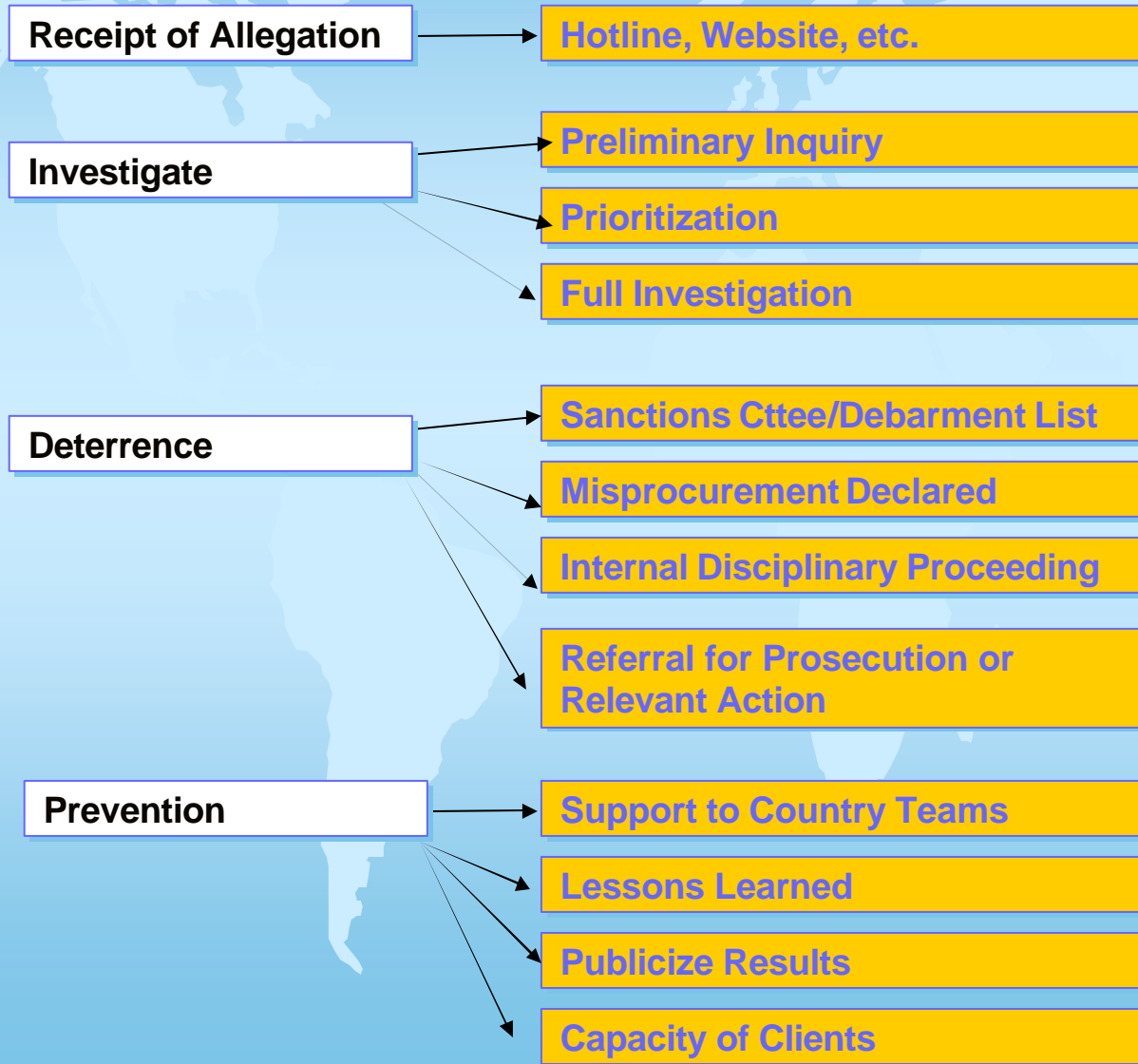
- Preventing fraud and corruption in World Bank-financed projects
- Helping countries that request the Bank's support in their efforts to reduce corruption
- Mainstreaming anti-corruption in all aspects of the Bank's relations with its borrowing member countries – lending, policy analysis and advice, etc.
- Supporting international efforts to reduce corruption

Department of Institutional Integrity

In compliance with World Bank rules, ensuring all due process safeguards, INT's mission is to:

- Prevent and deter fraud and corruption
- Outreach/educate Bank staff and clients
- Investigate allegations of fraud, corruption, and misconduct
- Feed lessons learned “upstream” into lending
- Leverage results through collaboration
- Confront bribe-payers through sanctions process.

What Does INT Do?



The World Bank's Department of Institutional Integrity (INT) was created in March 2001. Its core functions are to:

- Investigate allegations of fraud and corruption in World Bank Group projects,
- Investigate allegations of misconduct by Bank staff, and
- Train and educate staff and clients in detecting and reporting fraud and corruption in World Bank Group projects.

Investigative Capacity

- Multi-million dollar budget
- Staff has grown from 20 to 50 in 3 years
- International, multi-lingual staff
- Investigators, forensic accountants, lawyers
- Able to travel and do on-site interviews
- Interactive database

More Information About Business

- More knowledge about companies, individuals, and money flows than ever
- INT database
- World Bank databases
- Worldwide web
- Working relationships with other MDBs and investigative bodies

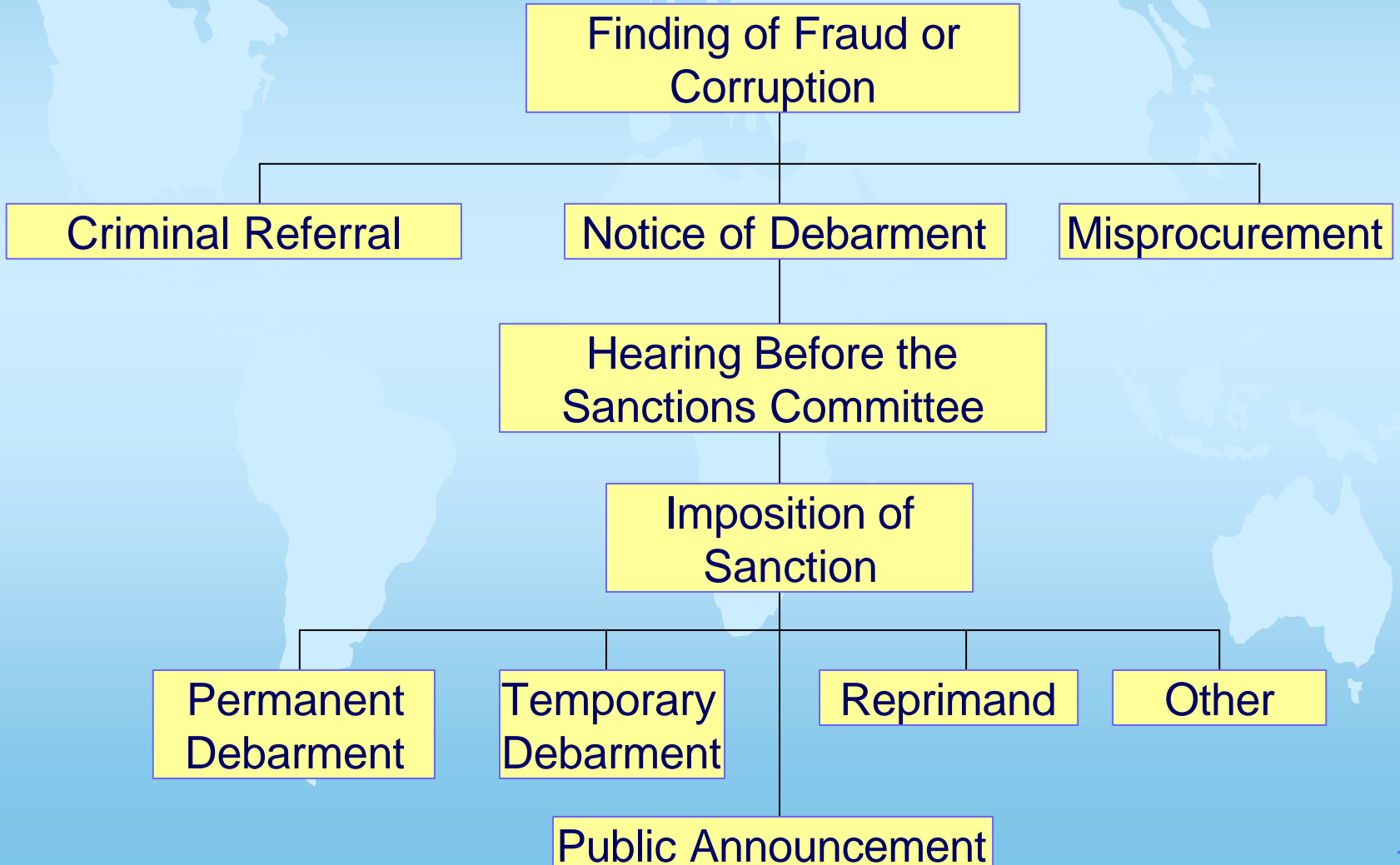
Reactive Approach

- Traditional response to allegations and fraud and corruption
 - Reports from staff (supervision mission, procurement review etc.)
 - Contractor complaints
 - PIU referral
 - Hotline/e-mail—sometimes anonymous

Proactive/Preventive Approach

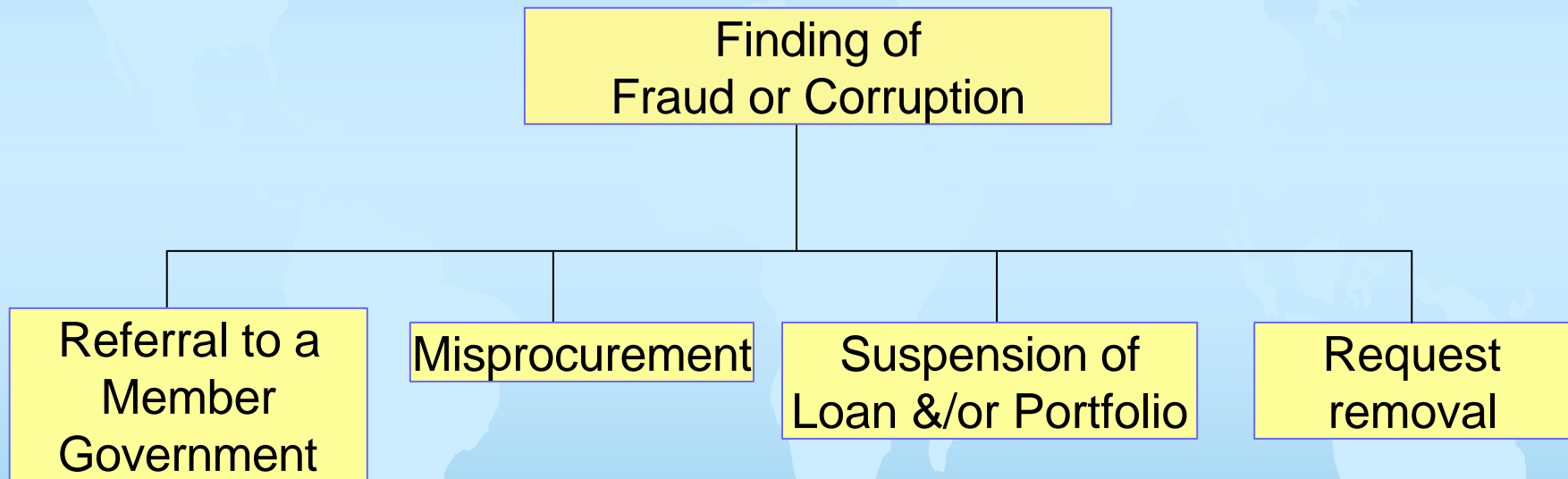
- INT data review
 - Case data
 - Open source info (web, press articles etc.)
- Detailed Implementation Review (DIR)
 - Sulawesi: example
 - Documentation examination
 - Forensic Accounting
 - Examination of Process
 - Red Flags

End Results: ***CONTRACTOR***



End Results:

BORROWER STAFF



Results So Far

In six years:

- Over 200 substantiated cases
- Over 280 firms and individuals sanctioned
- 25 criminal convictions obtained in multiple jurisdictions (U.S., Sweden, Guinea, Bolivia, etc)
- Many more cases in the pipeline
- Result: Better understanding of how corruption works in development projects
- But more to be done

Upstream Rule Changes

- Tightening procurement rules for tendering as well as implementation and execution
- Examples: Definitions of fraud, roles of officials; prohibitions on collusive and coercive practices; integrity clause
- Standardization via closer cooperation with other MDB's via harmonization process

World Bank Policy Changes

- World Bank Board of Directors approved significant sanctions reforms in July 2004
- Reforms were based on recommendations made in reports by former U.S. Attorney General Richard Thornburgh
- Bank is in the process of implementing these changes over next year
- Reports are available on the Bank website

Sanctions Policy Changes

- Recognition of cooperation as a mitigating factor
- Incentives to disclose information
- Temporary suspensions of firms during sanctions proceedings
- Development of a wider range of sanctions
- New Sanctions Board - external majority
- Expanded disclosure of investigations and sanctions

Deterrence: Enhanced Communications

- World Bank Board also approved disclosure policy for sanctions and investigations
- Stepping up our efforts to publicize results of investigations worldwide
- Sanctions, press releases, reports and other information available on worldwide web

Issues of Mutual Interest

- Assessing impact of investigations and sanctions
- Raising awareness
- Raising standards
- Incentives for business integrity programs
- Working together for level playing field
- Welcome FIDIC member perspectives

Websites

- www.worldbank.org/integrity
- www.worldbank.org/anticorruption
- www.worldbank.org/procurement

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