

# Government Accountability Project

National Office

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January 14, 2009

Juan José Daboub  
Managing Director  
The World Bank  
1818 H St. NW  
Washington, D.C. 20433

Dear Mr. Daboub:

We noted the World Bank's January 11<sup>th</sup> announcement of a policy change regarding corporate debarment. We welcome the disclosure of all debarments involving companies and individuals found guilty of fraud or corruption through the World Bank's internal investigation processes. We remain troubled, however, by a number of issues regarding debarment practices and policies at the Bank that have come to light in the wake of the collapse of Bank vendor Satyam Computer Services, Ltd. and the fraud subsequently revealed. To clarify these issues, we would very much appreciate your answers to the following questions.

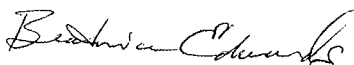
1. How does the World Bank interpret its institutional duty to report corruption and fraud when publicly-traded companies are involved? Under the new policy, does the Bank see the posting of a debarment announcement on its website as sufficient?
2. With respect to the recent Satyam episode, an independent member of the company's board claimed that she was never informed of the debarment by the Bank. This raises troubling questions about procedures regarding the reporting of debarment to relevant bodies and individuals. What is the procedure now in place for communicating debarment to the responsible officials at the affected company? What are the procedures for informing World Bank officials and the Board of the World Bank?
3. Will the World Bank cooperate with the Securities and Exchange Board of India and the US Securities and Exchange Commission as they investigate Satyam, or will the Bank invoke its immunities?
4. According to recent reports from FOX News, the United Nations Interagency Procurement Working Group (IAPWG) was not informed of Satyam's wrongdoing by the World Bank. Satyam, as you are aware, is an important IT services provider across the UN system. Once debarment is effected against a corporate vendor, why does the World Bank not specifically inform other institutions that may benefit from this information?

5. Why are vendors' contracts that are financed with project and loan funds subject to broader disclosure than contracts financed with corporate procurement funds? Will the World Bank extend its more comprehensive disclosure policy for project and loan-financed vendors to institutional vendors, and make information concerning the identities of corporate vendors, their terms of reference, compensation, contract issue and termination dates, as well as debarments, publicly available? Public access to this information helps ensure that conflicts of interest and other forms of improper conduct do not arise in the first place.
6. What are the procedures now in place to investigate corporate vendors – as opposed to project vendors – such as Satyam, Wipro and Megasoftware, when they are believed to have violated Bank regulations and/or national laws?
7. What are the criteria for assigning debarment periods of differing lengths and severity to different corporations and consultants? According to the Bank's January 11<sup>th</sup> announcement concerning debarment, Satyam is debarred for eight years, while Wipro and Megasoftware Consultants, Ltd. are banned for four.
8. What person, or body, within the Bank makes final decisions regarding the debarment of a corporate vendor? Does the responsible party make this decision based on evidence collected exclusively at his or her direction, or does he or she rely on investigatory work carried out by another party?
9. Why are corporate vendors found to be responsible for unethical business practices debarred only from *direct* contracts with the World Bank? How is this term "direct" defined? Does the penalty mean that a debarred company may subcontract with the Bank through a different primary contractor? Does it mean that the debarred company may contract with borrowing governments for goods and services provided through Bank-funded projects? Why leave either loophole in the penalty, if it can render the debarment virtually meaningless?
10. What is meant when the Bank bars an individual for disciplinary purposes from future employment, as Mohamed Muhsin has been barred? Are companies that employ the individual in a managerial capacity also barred? Are such companies eligible to benefit from Bank financing through Bank projects? We ask this because in February, 2008, the month that the World Bank suspended Satyam for awarding improper benefits to Mr. Muhsin in his capacity as Chief Information Officer, John Keells Holdings, a Sri Lankan corporation where Mr. Muhsin serves as a board member, received a standby loan from the IFC in the amount of \$75 million.
11. Does the Bank intend to harmonize and coordinate corporate debarments across the United Nations system, as recommended by the United Nations Procurement Task Force last year?

Finally, we want to thank you for your response on behalf of Mr. Zoellick to the questions we posed about this matter in our letter of November 19<sup>th</sup>. As you know, GAP's General Counsel and I met with the Bank's General Counsel and Chief of Procurement on December 15<sup>th</sup> in an effort to clarify issues related to World Bank corporate procurement. Unfortunately, that meeting and the ensuing conversations have served to raise additional questions. As it stands, the World Bank's policies on corporate procurement generally appear secretive and capricious for no presentable reason.

We look forward to your direct response to these questions.

Very truly yours,

A handwritten signature in cursive script, appearing to read "Beatrice Edwards".

Beatrice Edwards  
International Program Director

Cc: Mr. Whitney Debevoise, Executive Director, USA  
Rep. Barney Frank, United States House of Representatives