

**Date of issuance: June 24, 2025**

**Sanctions Board Decision No. 144  
(Sanctions Case No. 774)**

**IBRD Loan 8249-CN  
People's Republic of China**

**Decision of the World Bank Group<sup>1</sup> Sanctions Board finding insufficient evidence to conclude that it is more likely than not that the respondent entity in Sanctions Case No. 774 (the “Respondent”) engaged in the alleged corrupt and fraudulent practices.**

**I. INTRODUCTION**

1. The Sanctions Board convened as a panel composed of Maria Vicien Milburn (Chair), Philip Daltrop, and Adedoyin Rhodes-Vivour to review this case. A hearing was held on March 3, 2025, at the World Bank Group’s headquarters in Washington, D.C., at the request of the Respondent and in accordance with Section III.A, sub-paragraph 6.1 of the Sanctions Procedures. The World Bank Group’s Integrity Vice Presidency (“INT”) participated in the hearing through its representatives attending in person. The Respondent, represented by counsel and staff, participated remotely via videoconference from Beijing, China. The Sanctions Board deliberated and reached its decision based on the written record and the arguments presented at the hearing.

2. In accordance with Section III.A, sub-paragraph 8.2(a) of the Sanctions Procedures, the written record for the Sanctions Board’s consideration included the following:

- i. Notice of Sanctions Proceedings issued by the World Bank’s Suspension and Debarment Officer (the “SDO”) to the Respondent on May 21, 2024 (the “Notice”), appending the Statement of Accusations and Evidence (the “SAE”) submitted by INT to the SDO (undated);
- ii. Explanation submitted by the Respondent to the SDO on July 24, 2024 (the “Explanation”);
- iii. Response submitted by the Respondent to the Secretary to the Sanctions Board on September 25, 2024 (the “Response”);

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<sup>1</sup> In accordance with Section II(aa) of the World Bank Procedure: Sanctions Proceedings and Settlements in Bank Financed Projects, issued on November 30, 2023 (the “Sanctions Procedures”), the term “World Bank Group” means, collectively, the International Bank for Reconstruction and Development (“IBRD”), the International Development Association (“IDA”), the International Finance Corporation (“IFC”), and the Multilateral Investment Guarantee Agency (“MIGA”). The term “World Bank Group” includes Bank Guarantee Projects and Bank Carbon Finance Projects, but does not include the International Centre for Settlement of Investment Disputes (“ICSID”). As in the Sanctions Procedures, the terms “World Bank” and “Bank” are used interchangeably here to refer to both IBRD and IDA. See Sanctions Procedures at Section II(z).



- iv. Reply submitted by INT to the Secretary to the Sanctions Board on October 28, 2024 (the “Reply”);
- v. Additional submissions filed by INT with the Secretary to the Sanctions Board in January and February 2025, providing supplementary translations and clarifying certain allegations, as invited by the Sanctions Board Chair;
- vi. Post-hearing submission filed by the Respondent with the Secretary to the Sanctions Board on March 14, 2025 (the “Respondent’s First Post-Hearing Submission”);
- vii. Post-hearing submission filed by INT with the Secretary to the Sanctions Board on March 24, 2025 (“INT’s First Post-Hearing Submission”);
- viii. Additional submission filed by the Respondent with the Secretary to the Sanctions Board on April 11, 2025 (the “Respondent’s Second Post-Hearing Submission”); and
- ix. Additional submission filed by INT with the Secretary to the Sanctions Board on May 2, 2025 (“INT’s Second Post-Hearing Submission”).

## **II. PROCEDURAL HISTORY AT THE FIRST TIER<sup>2</sup>**

3. *Issuance of Notice and temporary suspension:* On May 21, 2024, pursuant to Section III.A, sub-paragraphs 4.1 and 4.2 of the Sanctions Procedures, the SDO issued the Notice and temporarily suspended the Respondent, together with any entity that is an Affiliate<sup>3</sup> directly or indirectly controlled by the Respondent, from eligibility<sup>4</sup> with respect to any Bank-Financed Projects,<sup>5</sup> pending the final outcome of these sanctions proceedings. The Notice specified that the temporary suspension would apply across the operations of the World Bank Group.

4. *SDO’s initial recommendation:* Pursuant to Section III.A, sub-paragraphs 4.1(c), 9.1, and 9.4 of the Sanctions Procedures, the SDO recommended in the Notice the sanction of debarment with conditional release for the Respondent, together with any entity that is an Affiliate under the Respondent’s direct or indirect control. The SDO recommended a minimum period of ineligibility of four (4) years and six (6) months, after which period the Respondent could be

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<sup>2</sup> The World Bank Group sanctions regime involves a two-tier sanctions process conducted by an Evaluation Officer or SDO as the first tier and the Sanctions Board as the second and final tier. See, e.g., Sanctions Procedures, Section III.A, sub-paragraph 1.1(b).

<sup>3</sup> Section II(a) of the Sanctions Procedures defines “Affiliate” as “any legal or natural person that controls, is controlled by, or is under common control with, the Respondent, as determined by the Bank.”

<sup>4</sup> The full scope of ineligibility effected by a temporary suspension is set out in the Sanctions Procedures at Section III.A, sub-paragraphs 4.2(a) and 9.1(c), read together.

<sup>5</sup> The term “Bank-Financed Project” encompasses an investment project or a program-for-results operation, for which IBRD or IDA, whether acting for its own account or as administrator of donor trust funds, has provided financing in the form of a loan, credit or grant and governed by the Bank’s Procurement Guidelines, Consultant Guidelines, or Anti-Corruption Guidelines. See Sanctions Procedures at Section II(e).



released from ineligibility only if it had (i) taken appropriate remedial measures to address the sanctionable practices for which it had been sanctioned and (ii) adopted and implemented integrity compliance measures as may be imposed by the World Bank Group's Integrity Compliance Officer to address the same sanctionable practices. In reaching this recommendation, the SDO considered that the Respondent had engaged in both corrupt and fraudulent practices, and applied mitigation for the Respondent's cooperation during INT's investigation and for the passage of significant time since the misconduct and the Bank's awareness of it.

5. *SDO's final recommendation:* On July 24, 2024, the Respondent submitted an Explanation to contest the SDO's finding of liability and recommended sanction. Upon review of the Explanation, the SDO applied additional mitigation for the Respondent's voluntary corrective action. Accordingly, pursuant to Section III.A, sub-paragraph 4.3(a)(ii) of the Sanctions Procedures, the SDO revised the recommended sanction to reduce the minimum period of ineligibility from four (4) years and six (6) months to four (4) years.

### **III. GENERAL BACKGROUND**

6. This case arises in the context of the Guangxi Laibin Water Environment Project (the "Project") in the People's Republic of China ("China"). The Project sought to reduce flood risks and improve drainage in select areas of Laibin city in China's Guangxi Zhuang Autonomous Region. On July 4, 2013, China entered into a financing agreement with IBRD for US\$80 million to support the Project (the "Financing Agreement"). On October 31, 2013, the full amount was passed on to the Laibin Water Investment Company ("LWIC") via a subsidiary loan agreement. The Project became effective on November 8, 2013, and closed on January 31, 2020.

7. Allegations addressed in this decision relate to the selection for and implementation of a single contract under the Project ("Contract A4-CW" or "the Contract"), valued at approximately US\$11 million. Several organizations were involved in overseeing the Project, including LWIC and others in Laibin Municipality. LWIC was assertedly responsible for overall Project management and issued the bidding documents for Contract A4-CW on April 1, 2016. A different department, titled the Project Management Office (the "PMO") and set up as a temporary unit within the Laibin Municipal Development and Reform Commission, carried out procurement and Project monitoring. The PMO's tender review committee included a Deputy Director at the PMO and a Deputy Manager at LWIC.

8. The Respondent is a firm that, since 2015, has competed successfully for at least seven contracts financed by the World Bank, including Contract A4-CW. The Respondent submitted a bid in June 2016 (the "Bid") and won the Contract in July 2016. The Bid identified an individual ("Individual A") as the legal/authorized representative of the Respondent and listed 11 personnel to work under the Contract, if selected (the "Key Staff"). This list included a project manager (the "First Project Manager"). The Respondent's signed Contract stated that the Bid was an integral part of the Contract, that the Respondent would mobilize key personnel listed in the Bid, and that any replacements would be subject to approval from LWIC.

9. In August 2016, the Respondent signed contracts with more than 30 individuals for work in connection with the Project. This group included Individual A as a Deputy General Engineer



and a second staff member who was assigned the role of “On-site Leader” (“Individual B”). None of these personnel had been listed as Key Staff in the Bid. In November 2016, the Respondent concluded a 30-day sub-contract with Individual B, naming him as the “Construction Director,” and issued payments to Individual B between January 2017 and July 2018. The record shows that the First Project Manager submitted an organizational chart and a measurement report to LWIC between December 2016 and June 2017, but work under the Contract could not begin as scheduled due to local land acquisition issues. In July 2017, the Respondent requested and received authorization from Project supervisors to replace the First Project Manager with another staff member (the “Second Project Manager”). By the spring of 2018, with land acquisition issues assertedly unresolved, construction was suspended and the Contract terminated.

10. Between December 2017 and February 2018, several regional courts in China issued verdicts against individuals in relation to corrupt schemes relating to the Project, including Contract A4-CW (the “Criminal Verdicts”). The Criminal Verdicts described corrupt arrangements whereby select public officials leveraged their positions to steer Contract A4-CW to the Respondent in exchange for bribes. These bribes were purportedly arranged via multiple actors and “go-betweens,” including individuals affiliated with the Respondent. The Criminal Verdicts implicated Individual B in the misconduct and identified Individual A as having handed over a bag with cash to one of the public officials, at Individual B’s instruction. The record reflects that the Respondent terminated its contracts with Individual A and Individual B effective July 1, 2018, with reference to bribery (Individual B) and other behavior violations (Individual A).

11. INT submits that the Respondent should be held liable for corruption and fraud in relation to Contract A4-CW. In alleging corruption, INT asserts that the Respondent’s representatives, including Individuals A and B, made improper offers and payments to government or Project officials in order for the Respondent to receive Contract A4-CW. In alleging fraud, INT asserts that, during Contract execution, the Respondent misrepresented the involvement of Key Staff, essentially replacing the persons identified in the Respondent’s Bid with a different cohort without appropriate disclosures or approvals.

#### **IV. APPLICABLE STANDARDS OF REVIEW**

12. *Standard of proof:* Pursuant to Section III.A, sub-paragraph 8.2(b)(i) of the Sanctions Procedures, the Sanctions Board determines whether the evidence presented by INT, as contested by a respondent, supports the conclusion that it is more likely than not that the respondent engaged in a sanctionable practice. Section III.A, sub-paragraph 8.2(b)(i) defines “more likely than not” to mean that, upon consideration of all the relevant evidence, a preponderance of the evidence supports a finding that the respondent engaged in a sanctionable practice.

13. *Burden of proof:* Under Section III.A, sub-paragraph 8.2(b)(ii) of the Sanctions Procedures, INT bears the initial burden of proof to present evidence sufficient to establish that it is more likely than not that a respondent engaged in a sanctionable practice. Upon such a showing by INT, the burden of proof shifts to the respondent to demonstrate that it is more likely than not that its conduct did not amount to a sanctionable practice.



14. *Evidence:* As set forth in Section III.A, sub-paragraph 7.1 of the Sanctions Procedures, formal rules of evidence do not apply; and the Sanctions Board has discretion to determine the relevance, materiality, weight, and sufficiency of all evidence offered.

15. *Applicable definition of fraudulent practice:* The Financing Agreement states that all goods, works, and non-consulting services required for the Project and to be financed out of the loan proceeds shall be procured according to the Bank's Procurement Guidelines last revised in January 2011 (the "January 2011 Procurement Guidelines"). The Contract, as excerpted by INT, does not refer to a specific document applicable to the Project or the procurement/implementation processes, but includes definitions of misconduct that are consistent with the same January 2011 Procurement Guidelines. At the same time, the Project Agreement and the bidding documents for the Contract state that the Bank's Anti-Corruption Guidelines apply to Project implementation and the selection process.

16. In past cases where the record identified more than one source of applicable definitions of misconduct, the Sanctions Board has held that the standards agreed between the Borrower and the respondent (e.g., the Bidding Documents or the Contract) shall take precedence over conflicting standards agreed between the Borrower and the Bank.<sup>6</sup> The Bank's General Counsel has also advised that standards relevant to when the misconduct occurred should take precedence over other standards (i.e., where misconduct is alleged in contract execution, standards identified in that contract should govern rather than any conflicting standards in a selection document). In this case, INT alleges corruption during the procurement process and fraud during Contract execution, thus both the Bidding Documents and the Contract have a link to the dispute.

17. In determining the applicable definitions of misconduct in this case, the Sanctions Board notes first that the Respondent does not contest INT's statement that the January 2011 Procurement Guidelines should apply to its allegations of both corruption and fraud. Second, the Sanctions Board observes that application of the Anti-Corruption Guidelines in this case, which lack the clarifying footnotes included in the January 2011 Procurement Guidelines,<sup>7</sup> could present a slightly lower standard of proof for INT. In these circumstances, noting the absence of a dispute and possibility of moderate benefit to the Respondent, the Sanctions Board determines that the allegations in this case have the meaning set forth in the January 2011 Procurement Guidelines.

18. Paragraph 1.16(a)(i) of the January 2011 Procurement Guidelines defines a "corrupt practice" as "the offering, giving, receiving, or soliciting, directly or indirectly, of anything of value to influence improperly the actions of another party." A footnote to this definition explains that the term "another party" refers to a public official acting in relation to the procurement process

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<sup>6</sup> Sanctions Board Law Digest 2023 at p. 29, para. 22; Sanctions Board Decision No. 87 (2016) at para. 16(ii); Sanctions Board Decision No. 59 (2013) at para. 11.

<sup>7</sup> Compare Anti-Corruption Guidelines (January 2011) at para. 7, available at: <https://documents1.worldbank.org/curated/en/551241468161367060/pdf/611090BR0SecM21Disclosed04113120111.pdf> with January 2011 Procurement Guidelines at para. 1.16, available at: <https://pubdocs.worldbank.org/en/616741467229981357/Procurement-GuidelinesenglishJan2011.pdf>.



or contract execution; and the term “public official,” when used in this context, includes World Bank staff and employees of other organizations taking or reviewing procurement decisions.

19. Paragraph 1.16(a)(ii) of the January 2011 Procurement Guidelines defines a “fraudulent practice” as “any act or omission, including a misrepresentation, that knowingly or recklessly misleads, or attempts to mislead, a party to obtain a financial or other benefit or to avoid an obligation.” A footnote to this definition explains that the term “party” refers to a public official; the terms “benefit” and “obligation” relate to the procurement process or contract execution; and the “act or omission” is intended to influence the procurement process or contract execution.

## **V. PRINCIPAL CONTENTIONS OF THE PARTIES**

### **A. INT’s Principal Contentions in the SAE**

20. *Corruption allegation:* INT accuses the Respondent of corruption via “non-employee representatives” who acted in the course of their duties and in the Respondent’s interest. INT alleges that three individuals were involved in corrupt offers and payments to public officials under the Project, serving to benefit the Respondent’s Bid, as described in the Criminal Verdicts. These persons allegedly were: Individual A, Individual B, and Individual C, who was a public official without apparent formal ties to the Respondent. INT submits that the Respondent is liable for the conduct of Individuals A and B, both of whom were assertedly involved in the Bid preparation process.

21. *Fraud allegation:* INT accuses the Respondent of fraudulently misrepresenting the involvement of the Key Staff in the Contract. Specifically, INT asserts that the Respondent did not mobilize any of the Key Staff identified in its Bid and substituted them with other individuals, while representing to the project implementation authority that the listed Key Staff were in fact working on the project.

22. *Sanctioning factors:* INT supports mitigation for the Respondent’s cooperation and the passage of time since the misconduct.

### **B. The Respondent’s Principal Contentions in the Explanation and Response**

23. *Corruption allegation:* In these initial submissions, the Respondent does not contest that the payments in question were offered and made but asserts that Individual A and Individual B acted only in their personal capacities and did not represent the Respondent. The Respondent additionally emphasizes that the Criminal Verdicts target only the culpable individuals, and do not hold the Respondent company liable; and that the record lacks evidence to show that the alleged bribes were financed from the Respondent’s company accounts. The Respondent additionally provides evidence of integrity measures and dissolution of contracts with Individuals A and B, which it argues reflect “effective internal control systems” and disciplinary actions against the culpable individuals.

24. *Fraud allegation:* The Respondent disputes that it made any improper substitutions and claims that, from the Key Staff identified in the Bid and Contract, the First Project Manager was





substituted with appropriate authorization and the rest worked on the Project as promised. The Respondent refers to Project disruptions due to land acquisition issues and notes that it hired 34 staff during Project implementation, but those hires were additions and not replacements. The Respondent's Response also furnishes purportedly new evidence – documents showing involvement of some of the Key Staff during Contract implementation and a letter from the Project supervision authority confirming that all key personnel identified in the Bid had reported to the Project site.

25. *Sanctioning factors:* The Respondent submits that, if a sanction is imposed, it should be limited in scope and take into account the following mitigating factors: minor role in the misconduct, cooperation with the investigation, voluntary corrective action, and passage of time.

### **C. INT's Principal Contentions in the Reply**

26. *Corruption allegation:* INT first submits that the fact that corrupt offers and payments were made is not in dispute. Second, INT argues that corporate liability in sanctions cases is not limited to the acts of a respondent's employees but can derive from the acts of any culpable individuals who acted in the course and within the scope of their work for the principal, and with the goal to serve its interest. INT asserts that both Individuals A and B fit this description with respect to the Respondent. Further, INT argues that these individuals were not rogue employees who evaded the Respondent's robust controls. Instead, INT submits that the Respondent's business model provided minimal supervision and initially minimal remuneration to "non-employee representatives" like Individuals A and B, empowering them to aggressively pursue contracts, with resulting "significant, self-evident risks of corruption or other misconduct." INT further claims that the internal integrity measures that the Respondent has asserted were not sufficient to mitigate the relevant type of risk and are not supported by evidence. Specifically, INT claims that documentation from the Respondent's internal integrity program, as presented with the Response, contradicts other items in the evidentiary record and appears to have been prepared ex post facto.

27. *Fraud allegation:* INT reaffirms the allegation set out in the SAE and claims that, instead of using the 11 Key Staff identified in the Bid, the Respondent mobilized 15 different personnel without the required disclosure or approval. INT contends that the First Project Manager, whom the Respondent assertedly replaced with appropriate authorization, was not substantively involved in Contract execution prior to his replacement. INT also submits that the additional evidence that other Key Staff reported to the site is neither comprehensive nor credible. INT argues that the new documents filed with the Response are not exculpatory because they demonstrate, at most, participation of three of the 11 Key Staff promised under the Bid, whereas the Respondent should be able to produce records showing direct involvement of all 11 Key Staff initially identified.

28. *Sanctioning factors:* INT reiterates support for mitigation in light of the Respondent's cooperation and passage of time but disagrees that any additional mitigating credit is warranted and submits that a sanction of debarment should be applied against the Respondent's entire corporate group.

**D. Presentations at the Hearing**

29. During the hearing, INT reiterated its allegations made in earlier written submissions and criticized the Respondent's proposed exculpatory evidence introduced in later stages of these proceedings. With respect to the alleged corruption, INT asserted that, while the Criminal Verdicts are not by themselves sufficient to prove culpability, they merit significant weight and are broadly consistent with the documentary and testimonial records obtained by INT during its audit and investigation. INT argued further that the Respondent used a business model that allowed the company to compete for contracts through branch offices. According to INT, under this business model the branch offices operated without oversight or significant financial support from headquarters, used non-employee representatives, and needed to win contracts to generate revenue and ensure more secure employment for staff. INT submitted that this business model created strong incentives to win contracts and incorporated few safeguards against misconduct, thereby creating serious integrity risks. INT also challenged the Respondent's proposed "rogue employee" defense with respect to Individuals A and B, given the company's weak internal controls and lack of supervision with respect to these representatives.

30. The Respondent disputed liability and emphasized that the Criminal Verdicts had neither found the Respondent company liable nor identified a connection between the firm's business model and any misconduct. The Respondent contended that the decentralized nature of its business and bidding practices was required to accommodate the diversity of local development conditions and project site particularities across China. The Respondent additionally argued that the record lacked evidence of a causal link between the alleged bribery and Contract award, noting that the Respondent firm was the actual lowest bidder for the Contract. Finally, the Respondent asserted that it did have integrity measures – both for the company generally and for Individual A specifically, which Individual A violated in committing the alleged misconduct. In response to questions from the Sanctions Board, the Respondent indicated that it did not accept some parts of the Criminal Verdicts, including the summaries of evidence in those cases.

31. In discussing the alleged fraud, INT stated that the Respondent had not mobilized the Key Staff as promised and that the Respondent's claims to the contrary are unsupported by evidence. INT argued that, notwithstanding the Respondent's submissions during the course of these proceedings, the Respondent's own staff made statements to INT during the 2019 investigation showing that the Key Staff were not mobilized and that other temporary staff were hired to work instead. INT described the First Project Manager's written submissions to LWIC as a way to create a false appearance of work on his part, rather than as evidence of Contract implementation. The Respondent maintained its position that all Key Staff identified in the Bid, including the First Project Manager, were mobilized for Contract work and asserted that evidence of their work and engagement with the Respondent was available. The Respondent denied that any of the Key Staff were replaced without appropriate approval or disclosure. Finally, the Respondent reiterated its position that the scope of any sanction should not extend to the Respondent's "group level" that includes all subsidiaries, because the alleged violations applied to a single branch.

32. Before concluding the hearing, the Sanctions Board Chair requested the Respondent to clarify the scope of its disagreement with the Criminal Verdicts, including their summaries of evidence, and to provide certain additional information. The Sanctions Board Chair's request





referred specifically to: (i) personnel records for the claimed Key Staff, (ii) information about employee/s responsible for staff decisions and compliance with Contract regulations during Contract execution, and (iii) the Respondent's list of current subsidiaries or affiliates.

**E. Post-Hearing Submissions**

33. The Respondent's First Post-Hearing submission provided additional documents, including copies of the labor contracts of Key Staff, information about the Respondent's internal integrity measures, and a full list of its current subsidiaries. The submission identified a single employee as responsible for staff decisions and Contract compliance. The Respondent, while not disputing that corrupt payments were made, for the first time identified substantial parts of the Criminal Verdicts with which it disagreed. The Respondent disputed any affiliation with Individual C, disputed that it won the Contract as a result of corruption, disputed that Individual B determined the Bid price, and disputed that the Respondent paid the "kickbacks" referenced in the Criminal Verdicts, noting it "was not involved and does not acknowledge this fact." Additionally, the Respondent presented a separate supplementary statement to request exemption from sanctions in light of the Respondent's ongoing projects and positive contributions.

34. INT's First Post-Hearing submission, invited specifically to comment on the Respondent's filing, maintained INT's original allegations. First, INT noted that the Respondent's disagreements with the Criminal Verdicts were not accompanied by any new evidence and did not lead to a different conclusion with respect to the Respondent's culpability. INT also submitted that the copies of labor contracts of the Key Staff did not disprove INT's fraud allegation because the labor contracts predated Contract A4-CW and therefore reflected employment not related to the Contract. With respect to the asserted employee (a site manager) responsible for staff decisions and Contract compliance, INT argued that much of this authority was instead held by Individual B. INT added that the new integrity-related documents provide only a minimal basis for mitigation and opposed limiting the scope of the Respondent's sanction.

35. The Respondent filed its Second Post-Hearing Submission on April 11, 2025. Although the Sanctions Board Chair had not invited the submission, she accepted it in her discretion and invited INT to comment.

36. The Respondent's Second Post-Hearing Submission included additional evidence to further demonstrate participation of Key Staff in the Contract and provided other comments on INT's arguments in the preceding submission. For example, the Respondent clarified that, although its labor contracts with the Key Staff did not align with Contract duration, these individuals were formal employees of the Respondent who had long-term labor contracts and "no need to sign separate contracts" for individual projects such as A4-CW. The Respondent reiterated other points made earlier in these proceedings, such as the asserted absence of a "causal link" between the bribery and Contract award, the minimal involvement of Individual B prior to Contract award, the expected impact of any sanction on the Respondent as a corporate group, and the value of its integrity compliance program.

37. In its Second Post-Hearing Submission, INT replied that the causal link between bribe payments and the award of Contract A4-CW had been established by the Criminal Verdicts and



corroborated by INT's investigation. INT commented that the Respondent's claim of Individual B's limited involvement prior to Contract award is not accompanied by any new information or evidence. With respect to the fraud allegation, INT stated that the evidence of long-term contracts with asserted Key Staff does not substantiate specific participation in Contract A4-CW and that the Respondent's claims of hiring additional (not replacement) consultants is not accompanied by any new information or evidence. Regarding a final sanction, INT observed that some of the Respondent's integrity compliance measures may warrant minor mitigation and the scope of any sanction against the Respondent's affiliate group may be limited.

## **VI. THE SANCTIONS BOARD'S ANALYSIS AND CONCLUSIONS**

38. The Sanctions Board will first consider whether it is more likely than not that the alleged corrupt or fraudulent practices occurred and, if so, whether the Respondent may be held liable for that misconduct.

### **A. Evidence of Corrupt Practices**

39. In accordance with the definition of "corrupt practice" under the January 2011 Procurement Guidelines, INT bears the initial burden to prove that it is more likely than not that Individual A or Individual B (i) offered, gave, received, or solicited, directly or indirectly, anything of value (ii) to influence improperly the actions of another party.

#### **1. Offer or payment, direct or indirect, of anything of value**

40. INT alleges two instances of offer and/or payment, both around the time that the Respondent submitted its Bid. First, INT alleges that, in June 2016, Individual A, following instructions from Individual B, handed a bag with cash totaling CN¥ 440,000 to a person representing a public official. In support of its allegation, INT refers to the Criminal Verdicts, including against Individual B, which describe the broader corruption scheme and the specific delivery of a bag of cash. INT additionally refers to the transcript of its own interview with Individual A, where Individual A admits to the delivery of a bag but states that he had no knowledge of the bag's contents or recipient. The Respondent does not dispute that this event took place.

41. Second, INT alleges an offer and cash payment of CN¥ 2.94M delivered by Individual B and Individual C to public officials during the period of July-August 2016. During the hearing, the Respondent expressed disagreement with the description of that payment in one of the Criminal Verdicts, but did not clarify the specific fact/s in dispute. In its First Post-Hearing Submission, where the Respondent was explicitly authorized to identify points of disagreement with the Criminal Verdicts, it excerpted the relevant sections of one of the Criminal Verdicts (referring to the CN¥ 2.94M payment) and summarized several points of disagreement. Specifically, the Respondent disputed that: there was a relationship between Individuals B and C, that Individual C was an authorized representative or affiliated with the Respondent, and that any actions by Individual C were related to the Respondent. The Respondent additionally stated that it "was not involved and does not acknowledge" the offer preceding the CN¥ 2.94M payment described in the Criminal Verdicts and denied "having paid these kickbacks." The Respondent did not present any



evidence to contradict the fact of the payment or the involvement of Individual B, as described in the relevant Criminal Verdicts.

42. In assessing whether something was offered or given, the Sanctions Board has previously considered the totality of the evidence and arguments presented, including written agreements, email correspondence, corporate records, transcripts of INT interviews, and statements of respondents and their staff or representatives.<sup>8</sup> The Sanctions Board generally affords greater weight to evidence that is contemporaneous, detailed, and obtained directly by INT. Less evidentiary weight has been accorded to evidence that was gathered belatedly,<sup>9</sup> presented in condensed or summary form<sup>10</sup> or arrived from third parties or publications.<sup>11</sup> Where INT alleged misconduct in the context of parallel national proceedings against the respondent, the Sanctions Board has looked to the underlying evidence of sanctionable practice to reach a determination, not the holdings of relevant courts.<sup>12</sup>

43. The Sanctions Board observes that, although INT carried out a thorough investigation and audit, and interviewed a number of concerned individuals in this case, INT relies primarily on the Criminal Verdicts to support its arguments. INT refers to these verdicts in almost all of its written submissions, and in sections detailing the alleged bribery, the verdicts are often the only evidence to which INT cites. During the hearing, INT argued that the Criminal Verdicts should merit “significant weight” and stated that it did not have additional evidence of the alleged bribes, only evidence of “surrounding facts” that match what is discussed in the verdicts and which INT believes is therefore corroborative.<sup>13</sup> The Sanctions Board gives some evidentiary weight to these verdicts, which relate to multiple contracts, present holdings against six different defendants, and involved at least three different judges in courts of different local jurisdictions over a period of several months in the winter of 2017-2018. The Criminal Verdicts consistently describe certain

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<sup>8</sup> Sanctions Board Decision No. 60 (2013) at paras. 70-73 (consultancy agreement, email correspondence, and transcripts of interviews); Sanctions Board Decision No. 72 (2014) at paras. 43 and 44 (email correspondence showing negotiation of payment amount; transcripts of interviews; statement in pleadings); Sanctions Board Decision No. 97 (2017) at para. 55 (copy of written agreement, correspondence, admissions); Sanctions Board Decision No. 111 (2018) at paras. 29-31 (interview records, email correspondence, and other corroborating documentary evidence); Sanctions Board Decision No. 130 (2020) at para. 70 (financial documentation and acknowledgments).

<sup>9</sup> Sanctions Board Decision No. 64 (2014) at para. 34.

<sup>10</sup> Sanctions Board Decision No. 65 (2014) at para. 34.

<sup>11</sup> Sanctions Board Decision No. 101 (2017) at para. 22.

<sup>12</sup> Sanctions Board Decision No. 98 (2017) at paras. 8-9, 29, 33-36. This case involved allegations that a respondent firm submitted fraudulent bid securities. In the context of the relevant contract, the PIU attempted to collect on the securities, which the banks did not honor. The PIU later filed a claim against the respondent and was awarded damages. The banks did not file separate claims against the respondent. The Sanctions Board rejected the respondent’s request to consider the absence of additional civil or criminal proceedings against it by the relevant banks. In its analysis of whether there was a misrepresentation, the Sanctions Board did not make reference to the national courts’ findings against the respondent in its dispute with the PIU.

<sup>13</sup> As examples, INT cited the fact that the Criminal Verdicts referred to Individual B’s sub-contract with the Respondent after award of Contract A4-CW and the verdicts’ correct descriptions of the “roles of individuals,” possibly referring to the public officials implicated in the misconduct.



details of the same payments as are alleged in the present case: payment of CN¥ 440,000 with direct involvement from Individual A (delivery) and Individual B (instruction), offer and payment of CN¥ 2.94M with direct involvement from Individual B and Individual C, and receipt of CN¥ 440,000 and CN¥ 2.94M by public officials from or via Individual B and Individual C.

44. However, the Sanctions Board notes that the incriminating portions of the Criminal Verdicts consist mostly of accounts of similar confessions made by the defendants in those criminal proceedings, as well as summaries of events and evidence in those cases but without detailed presentations of the underlying facts. The Sanctions Board would accord significantly greater weight to such confessions and summaries where corroborated by documentary or other supporting records. Moreover, the Respondent firm was not itself a party to the criminal cases, was not involved in the criminal proceedings leading to the Criminal Verdicts and therefore had no opportunity at that time to assess or challenge the evidence relied upon to reach those verdicts. The Respondent did have such an opportunity during INT's subsequent investigation and in the course of the pleadings for these proceedings, where it generally denied specific knowledge of or responsibility for offences underlying the original Criminal Verdicts. Later, during and after the hearing, the Respondent disagreed with portions of the verdicts but did not contest that the offers and payments took place.

45. The Sanctions Board further observes that the record does not contain independent documentary evidence of the alleged offers or payments. During one of INT's two interviews with Individual A, he did admit to handing over a bag to someone at the instruction of Individual B but stated that he had no knowledge of the bag's contents or recipient. There is no other meaningful independent evidence of his direct involvement or participation in offers or payments and the record does not suggest that Individual A was accused of a crime in relation to the alleged scheme, let alone convicted.

46. The record, including the Criminal Verdicts, does not provide a sufficiently detailed and verifiable account of Individual A's role in the alleged bribery scheme. In these circumstances, the Sanctions Board finds that, on balance, the evidence is insufficient to conclude that it is more likely than not that Individual A made an offer or payment.

47. However, the Sanctions Board finds that it is more likely than not that Individual B did make at least one offer or payment, directly or through intermediaries. In addition to the Criminal Verdicts, which provide detailed descriptions of his participation in the corrupt scheme, the record includes bidding and contract documentation, transcripts of interviews with staff of the Respondent, and documentation of the Respondent's disciplinary actions against Individuals A and B, none of which contradict the scheme alleged by INT. More importantly, the Respondent does not contest that Individual B made the offers and payments as alleged and has acknowledged the corrupt nature of his conduct multiple times prior to and throughout these proceedings. Copies of documents terminating the labor contracts between the Respondent and Individuals A and B in 2018 refer to Individual B's "act of bribing [Project officials] during the bidding period." The Respondent's Explanation and Response describe Individual B's conduct as "bribery" and "corrupt practices." Finally, during the Sanctions Board hearing, the Respondent's representatives referred repeatedly to corruption committed by Individual B. Taken as a whole, the record is therefore



sufficient to support a finding that Individual B made at least one offer or payment in the course of the bidding process for the Contract.

2. To influence improperly the actions of another party

48. Under the applicable definition of corruption, the term “another party” refers to a public official acting in relation to the procurement process or contract execution. The term “public official,” when used in this context, includes employees of organizations taking or reviewing procurement decisions. INT does not elaborate on this element in its written submissions but alleges that recipients of the payments made to secure Contract A4-CW held positions of Director or Deputy Director within the PMO and/or the Laibin Regional Commission that oversaw it. The Respondent does not contest that these individuals held the roles as described by INT.

49. The Sanctions Board has considered cases where, as here, the definitions of “party” and “public official” included staff at organizations involved in procurement decisions.<sup>14</sup> In those decisions, the Sanctions Board found that corrupt offers/payments to procurement advisors, project managers, and other individuals employed by the implementing agency fit the definition of “public official,” as long as they had at least a perceived role in the agency’s decisions on selection or procurement.<sup>15</sup> The Sanctions Board has also consistently held that payments to officials in agencies responsible for project procurement fit the overall definition of a corrupt practice.<sup>16</sup> The Sanctions Board has held that the concept of “improper influence” is not limited to circumstances in which a public official acts in clear breach of his or her duties, but includes situations where an official is induced to act or refrain from acting in connection with his or her official duties, regardless of whether the official’s act would have been lawful had the payment or offer not been made.

50. The Criminal Verdicts appear to support a finding that any alleged bribes targeted public officials as defined and some of the relevant public officials are in fact named as defendants in the individual judgments. The Criminal Verdicts refer to the targets of any such bribes as “relevant leaders” and describe one of these public officials as having taken “advantage of [their] positions to seek benefits for others in terms of project bidding, supervision and management, and fund allocation.” Documentation relating to procurement under the Project is also consistent – two of the alleged bribe recipients were members of the evaluation committee that considered the Bid for Contract A4-CW. There is no dispute that Individual B was aware of the identities and roles of the targets of bribes in this case. It is thus reasonable to conclude that any bribes were directed at individuals with some connection to or leverage over the administrative processes supporting the Project and related contract awards.

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<sup>14</sup> See, e.g., Sanctions Board Decision No. 111 (2018) at paras. 32-38 (Project Director); Sanctions Board Decision No. 138 (2022) at para. 27 (Bank-financed consultant and Ministry staff).

<sup>15</sup> Sanctions Board Decision No. 60 (2013) at para. 83; Sanctions Board Decision No. 138 (2022) at para. 27.

<sup>16</sup> See, e.g., Sanctions Board Decision No. 87 (2016) at paras. 94-98.





51. In these circumstances, the Sanctions Board finds it is more likely than not that any offers or payments by Individual B, as described in Paragraph 47 above, were directed at public officials who held actual or at least perceived roles in the procurement process under the Project.

**B. Evidence of Fraudulent Practice**

52. In accordance with the definition of “fraudulent practice” under the January 2011 Procurement Guidelines, INT bears the initial burden to prove that it is more likely than not that the Respondent (i) engaged in any act or omission, including a misrepresentation, (ii) that knowingly or recklessly misled, or attempted to mislead, a party (iii) to obtain a financial or other benefit or to avoid an obligation.

1. Engaged in any act or omission, including a misrepresentation

53. INT accuses the Respondent of fraudulently misrepresenting the involvement of Key Staff in the Contract. Specifically, INT asserts that the Respondent substituted, without prior authorization, all Key Staff identified in its Bid with other individuals and sent documents to the Project implementation authority signed by a project manager who was “never mobilized.” The Respondent disputes that it made any improper substitutions and claims that, from the Key Staff identified in the Bid, one (the First Project Manager) was substituted with appropriate authorization and the rest worked on the Contract as promised. The Respondent refers to Project disruptions due to land acquisition issues and notes that it hired 34 additional staff during the Contract implementation, but those individuals were an addition, not a replacement.

54. In past cases that involved alleged misrepresentations regarding claimed participants in contract implementation, the Sanctions Board has considered the totality of the evidence, including documentation of claims made to the implementing agency, the agency’s likely reasonable understanding of these claims, and whether the respondents credibly disputed or explained the inculpatory evidence.<sup>17</sup> In one previous case involving false claims of key personnel, the Sanctions Board noted INT’s direct interview with one of those personnel as a “key item of inculpatory evidence” and also considered the credibility and detail of the Respondent’s description of services rendered.<sup>18</sup>

55. The present case includes undisputed evidence that 11 Key Staff were promised in the Bid, and that the promise was reiterated in the Contract. The record also reflects that the First Project Manager submitted signed documents to Project officials during Contract execution, described working off-site during delays related to land acquisition, and was replaced by the Second Project Manager with appropriate authorization. Additionally, during the course of these proceedings, the Respondent has provided documentation of Contract execution that names most of the Key Staff,

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<sup>17</sup> Sanctions Board Decision No. 86 (2016) at paras. 30-32 (finding misrepresentation where the respondent falsely claimed participation of certain consultants under the contract in written statements to the PIU); Sanctions Board Decision No. 143 (2024) at paras. 35-38 (finding misrepresentation where the respondents promised certain key staff during procurement via a highly informal process and continued to list them in contract-related correspondence with the PIU during contract execution).

<sup>18</sup> Sanctions Board Decision No. 143 (2024) at para. 31.



a letter from the project supervision authority that asserts that all Key Staff promised in the Bid reported to the site, and internal copies of labor contracts and salary information for the Key Staff. INT argues that these internal records are neither useful nor credible, because some relate to time before Project execution, while others were submitted very belatedly, and do not bear typical indicia of authenticity. The record does not reflect that INT contacted or interviewed members of Key Staff beyond the First Project Manager, or sought to authenticate the letter from the project supervision authority.

56. The Sanctions Board finds that the record, on balance, does not sufficiently support INT's allegation that the Respondent replaced its proposed cohort of 11 Key Staff with different individuals. The Sanctions Board recognizes that the Respondent's simultaneous hiring of dozens of additional consultants can be perceived as an initial red flag. However, an initial red flag is not equivalent to prima facie evidence of fraud and the burden to prove a factual misrepresentation or omission lies with INT. In this case, the Sanctions Board finds that the Respondent has furnished sufficient evidence that individuals listed as Key Staff participated in some form during Contract execution. The Sanctions Board does not accept INT's contentions that work that is not "on site" is equivalent to a misrepresentation in this case, especially given the uncontested difficulties with access to the site early during the Contract period. The Sanctions Board also does not accept INT's suggestion that gaps in evidence showing the involvement of Key Staff, without affirmative evidence of substitution, are sufficient to reach a finding of misrepresentation.

57. Given the lack of sufficient evidence of the alleged misrepresentations, the allegation of fraudulent practice is dismissed.

### **C. The Respondent's Liability for the Acts of Individual B**

58. In light of its findings in Paragraphs 46 and 47 above, the Sanctions Board will only review the Respondent's alleged liability on the basis of the acts of Individual B.

59. INT submits that Individual B was an authorized representative of the Respondent acting on its behalf and that the Respondent is therefore liable for his conduct. The Respondent contests liability and asserts that the corrupt conduct of select individuals is not attributable to either the local branch that submitted the Bid or to the larger Respondent company. In making this assertion, the Respondent relies on the following points: i) the Criminal Verdicts found only individual, not corporate liability; ii) Individual B engaged in corrupt misconduct prior to the Contract, before any formal employment with the Respondent; and iii) the money for the bribes did not come from the accounts of the Guangxi branch or the Respondent's headquarters.

60. In past cases, the Sanctions Board has assessed potential liability under the doctrine of respondeat superior, based on two key questions: whether the individuals acted within the course and scope of their positions, and whether they were motivated, at least in part, by the intent to serve the company.<sup>19</sup> Although vicarious liability in sanctions cases has often arisen from an

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<sup>19</sup> See, e.g., Sanctions Board Decision No. 55 (2013) at paras. 51-52; Sanctions Board Decision No. 61 (2013) at para. 30; Sanctions Board Decision No. 68 (2014) at para. 30; Sanctions Board Decision No. 102 (2017) at para. 58.



employee-employer relationship,<sup>20</sup> the Sanctions Board has not required that such individuals hold formal employment positions or specific types of labor contracts, and has held companies liable for the misconduct of owners, partners, and others who acted on the company's behalf.<sup>21</sup> In assessing the potential liability of a firm for the acts of non-employees, the Sanctions Board has considered direct evidence of authorization, including proposal and contract documents, email correspondence, and parties' admissions.<sup>22</sup>

61. The Criminal Verdicts state consistently that Individual B was "affiliated" with or "attached" to the Respondent during the procurement period, but do not provide additional details to support the asserted connection. INT's interview transcripts reflect that the Respondent's staff had met with Individual B prior to Bid preparation, but do not suggest that Individual B was the Respondent's authorized representative during that time. The Respondent, in its Second Post-Hearing Submission, states that Individual B "gave...advice on bidding" but asserts that the Respondent had not delegated any "decision-making power" to Individual B. Finally, the Respondent's 2018 letter terminating Individual A's contract states that Individual A had "privately commissioned" Individual B during the procurement process, and does not suggest that Individual B was authorized by the Respondent firm to represent it at that time. The record does not reveal that the Respondent concluded any written agreements or otherwise formalized an affiliation with Individual B until after Contract award. The Sanctions Board finds that the record as presented does not demonstrate a sufficient link between Individual B and the Respondent.

62. INT has not presented documents, agreements, correspondence, or any other direct evidence of a relationship between Individual B and the Respondent company. Interview transcripts produced by INT have established that the Respondent and its officials demonstrated a regrettable lack of interest in the activities of Individual B, and in some cases a surprising degree of difficulty in remembering important details regarding project procurement and implementation. The Sanctions Board also accepts INT's observations that the Respondent's business model, which employed minimal supervision and remuneration arrangements, may have incentivized the aggressive pursuit of contracts and possible risk of corrupt misconduct. The Respondent may wish to revisit its manner of conducting business in order to mitigate the risk of similar occurrences in future. However, the Criminal Verdicts are the only evidence clearly asserting an "affiliation" between the Respondent and Individual B. The relevant criminal proceedings in 2017-2018 did not include or accuse the Respondent, and do not refer to specific evidence that Individual B was acting on the Respondent's behalf in the course of his corrupt conduct.

63. The Sanctions Board notes that, although the evidence presented separately by INT does not contradict the possibility of an affiliation, it is insufficient to independently prove, to the required standard, that Individual B was an authorized representative of the Respondent acting on its behalf. Accordingly, the Sanctions Board declines to find the Respondent liable for the corrupt

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<sup>20</sup> See, e.g., Sanctions Board Decision No. 112 (2018) at para. 41.

<sup>21</sup> See, e.g., Sanctions Board Decision No. 111 (2018) at para. 40 (respondent found liable for actions of a project manager who was the respondent's "representative or contact person" with respect to the contract at issue); Sanctions Board Decision No. 114 (2018) at para. 47 (respondent found liable for actions of consortium partners).

<sup>22</sup> Sanctions Board Decision No. 114 (2018) at paras. 5, 32-35, 47.



misconduct carried out by Individual B. In the absence of a finding that Individual A made offers or payments (Paragraph 46) or that Individual B acted as an authorized representative of the Respondent (Paragraphs 61-62), the Sanctions Board need not examine the parties' arguments regarding whether Individuals A and B acted as "rogue employees" in contravention of the Respondent's integrity controls (see Paragraphs 26 and 29).

**D. Termination of Proceedings**

64. Section III.A, sub-paragraph 8.1(i) of the Sanctions Procedures requires that "if the Sanctions Board determines that it is not more likely than not that the Respondent engaged in a Sanctionable Practice, the proceedings shall be terminated." Accordingly, the Sanctions Board declares that the sanctions proceedings against the Respondent in Sanctions Case No. 774, including the temporary suspension imposed by the SDO against the Respondent and any Affiliates for the pendency of such proceedings, are hereby terminated.

Maria Vicien Milburn (Sanctions Board Chair)

On behalf of the  
World Bank Group Sanctions Board

Maria Vicien Milburn  
Philip Daltrop  
Adedoyin Rhodes-Vivour