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Bengbu Integrated Environment Improvement Project &  
Tai Basin Urban Environment Project

**Redacted Report**

March 2019

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## Executive Summary

This report provides the findings of an administrative inquiry by the WBG Integrity Vice Presidency (“INT”) into allegations of misconduct under the Bengbu Integrated Environment Improvement Project and the Tai Basin Urban Environment Project in China.

Company X was awarded contracts under both Projects (the “Bengbu Contract” and “Tai Basin Contract”).

**Bengbu Contract:** Evidence indicates that Company X failed to disclose its relationship with an agent in its proposal for the Bengbu Contract. Evidence also indicates that Company X proposed an individual as the Project Manager during the procurement process, intending to and then replacing him/her during Contract implementation without Bank approval, while still billing for his/her work.

**Tai Basin Contract:** Evidence also indicates that, under the Tai Basin Contract, Company X inflated the time input for experts in the monthly progress report and overbilled.

The World Bank imposed the administrative sanction of debarment with conditional release on Company X. This ineligibility extends to any legal entity Company X controls directly or indirectly.

## **Background**

### ***1. Bengbu Integrated Environment Improvement Project***

In May 2008, the People’s Republic of China (“PRC”) and the International Bank for Reconstruction and Development (the “Bank”) signed a loan agreement for the Bengbu Integrated Environment Improvement Project (the “Bengbu Project”), to improve the effectiveness and sustainability of certain urban environmental services delivered in the Bengbu Municipality through improving the water supply, reducing incidents of land submergence from flooding, and enhancing wastewater management. Anhui Province acted as the Bengbu Project implementing entity. The Bengbu Project closed in June 2015.

The Bengbu Project Management Office (“Bengbu PMO”) selected Company X from a shortlist of firms that had been issued Requests for Proposals (“RFP”). Company X was awarded the Bengbu Contract, which after amendment, was valued at approximately US\$ 2,000,000.

### ***2. Tai Basin Urban Environment Project***

The PRC and the Bank signed a loan agreement for the Tai Basin Urban Environment Project (the “Tai Basin Project”), to improve the quality of life of the rapidly increasing urban population, and enhance economic competitiveness in Wuxi and Suzhou, key municipalities in the Tai Basin and the Yangtze River Delta economic region, by alleviating degradation of water resources and improving the quality of the urban environment. Jiangsu Province acted as the Project implementing entity (the “Tai Basin PMO”). The Tai Basin Project closed in June 2010.

The Tai Basin PMO selected Company X from a shortlist of six firms that had been issued RFPs. Company X was awarded the approximately US\$ 800,000 Tai Basin Contract.

## **Allegations & Methodology**

INT received allegations of misconduct against Company X related to various World Bank-financed projects, including the Bengbu Project and the Tai Basin Project.

INT’s inquiry included reviewing relevant Project documents, auditing Company X and its local partner (the “Agent”), and interviewing witnesses.

## **Findings**

### ***1. Evidence indicates that Company X failed to disclose its relationship with an Agent despite an obligation to do so.***

Company X was required, as part of the Bengbu Contract bidding process, to disclose any commissions or fees that had been paid to or were going to be paid to agents, representatives, or commission agents with respect to the selection process or execution of the Contract, including the name and address of the agent, representative, or commission agent, the amount and currency, and the purpose of the commission or fee. Company X indicated in its financial proposal

submission form that “[n]o commissions or gratuities have been or are to paid [sic] by us to agents relating to this Proposal and Contract execution.”

However, evidence indicates that Company X did have such a working relationship with an individual, the Agent, both prior to and at the time of this required disclosure, with a written agreement formalizing that relationship. Evidence indicates that the Agent acted as Company X’s agent to the Bengbu PMO during the procurement process.

Company X’s Project Coordinator told INT that at the time of proposal submission, and after signing the Bengbu Contract, s/he had not disclosed to the Bank that Company X had these agreement(s) with the Agent. In its response to INT’s inquiries, Company X did not address the non-disclosure but acknowledged that the Agent may have earned a small profit from the services it provided to Company X in addition to other fees it received for providing specialists and transportation to Company X.

***2. Evidence indicates that Company X proposed an individual as the Project Manager during the procurement process, intending to and then replacing him/her during Contract implementation without Bank approval, while still billing for his/her work.***

INT’s investigation found evidence indicating that Company X proposed a Company X employee (“Individual A”) as the team leader in order to win the Bengbu Contract, intending to replace him/her with another individual (“Individual B”) after contract award.

In its technical proposal to the Bengbu PMO, Company X proposed Individual A as the Project Manager and Individual B as the Procurement/Contract Specialist. Evidence indicates that Company X notified Individual A after the fact, telling him/her that they had proposed him/her as Team Leader.

Evidence indicates that for more than two years, Company X billed the Bengbu PMO for at least 600 hours of input for Individual A, totaling approximately US\$ 350,000. In contrast, evidence indicates that, by Company X’s internal accounting, Individual A recorded less than 100 hours of input on the Bengbu Contract, all in two months.

Company X told INT that it was Company X’s plan to switch out Individual A with Individual B after contract award. Company X acknowledged that any such replacement had to be done with the approval of the World Bank. Evidence indicates that there was no formal approval obtained from the Bank. Evidence does not support a finding that the Bengbu PMO approved the replacement either.

***3. Evidence indicates that Company X inflated the time input for experts and overbilled for them under the Tai Basin Contract.***

Under the Tai Basin Contract, INT’s investigation found evidence indicating that Company X overbilled the Tai Basin PMO in order to achieve a higher cash flow early in Project implementation. Evidence indicates that Company X billed more time than what was worked by their experts, particularly home input time, and called the difference “saved” time (*i.e.*, the inflated

time between the actual time incurred by the experts and the time billed to the client). Further evidence indicates that Company X's practice of inflating home input time of experts continued for months, with Company X billing the Tai Basin PMO for home input days for which the consultants did not bill Company X. Evidence indicates that, for close to a year, Company X claimed and received at least US\$ 50,000 more than it was entitled to bill for under the Tai Basin Contract.

### **Corrective Actions**

The World Bank imposed the administrative sanction of debarment with conditional release on Company X. This ineligibility extends to any legal entity Company X controls directly or indirectly.