



int
Integrity

WORLD BANK GROUP
World Bank • IFC • MIGA

China

Zhejiang Rural Water Supply and
Sanitation Project

Redacted Report

June, 2020

Statement of Use and Limitations

This Report was prepared by the World Bank Group (the “WBG”) Integrity Vice Presidency (“INT”). It provides the findings of an INT administrative inquiry (the “Investigation”) into allegations of corrupt, fraudulent, collusive, and/or coercive practices, as defined by the WBG for purposes of its own policies, rules and procedures (the “WBG’s Framework regarding Anti-corruption”), in relation to the WBG-supported activities. The purpose of the Investigation was to allow the WBG to determine if the WBG’s Framework regarding Anti-corruption has been violated.

This Report is being shared to ensure that its recipients are aware of the results of the INT Investigation. However, in view of the specific and limited purpose of the Investigation underlying this Report, this Report should not be used as the sole basis for initiating any administrative, criminal, or civil proceedings. Moreover, this Report should not be cited or otherwise referred to in the course of any investigation, in any investigation reports, or in any administrative, civil, or criminal proceedings.

This Report is provided without prejudice to the privileges and immunities conferred on the institutions comprising the WBG and their officers and employees by their respective constituent documents and any other applicable sources of law. The WBG reserves the right to invoke its privileges and immunities, including at any time during the course of an investigation or a subsequent judicial, administrative or other proceeding pursued in connection with this matter. These privileges and immunities cannot be waived without the prior express written authorization of the WBG.

Executive Summary

This report provides the findings of an administrative inquiry by the World Bank Group Integrity Vice Presidency (“INT”) into allegations of misconduct in connection with the Zhejiang Rural Water Supply and Sanitation Project (the “Project”) in China.

On March, 2016 Company A submitted bids for two Project-financed contracts: Contract X and Contract Y and on December 2016, Company A submitted a bid for another Project-financed Contract Z. Company A was awarded all three contracts.

The World Bank imposed the administrative sanction of debarment with conditional release on Company A, together with any entity that is an affiliate directly or indirectly controlled by Company A.

Background

On November, 2014, the International Bank for Reconstruction and Development (“IBRD” or the “World Bank”) and the People’s Republic of China (“PRC”) signed a Loan Agreement for the Zhejiang Rural Water Supply and Sanitation Project (the “Project”). The PRC provided additional funds in financing the project. The Project seeks to improve access to sustainable water supply and sanitation services in selected villages and towns in rural areas of Zhejiang Province.

In February 2016, Company B (the “Employer”) issued the Bidding Documents for two Project-financed contracts: Contract X and Contract Y. In November 2016, the Employer issued the Bidding Documents for the Project-financed Contract Z. (Contracts X, Y, Z are collectively referred to hereinafter as the “Contracts.”)

Company A submitted its bids for Contract X and Contract Y in March 2016. Company A submitted its bid for Contract Z in December 2016. Following the evaluation of these bids, Company A and the Employer signed Contract X in May 2016, Contract Y in May 2016 and Contract Z in December 2016.

Allegations & Methodology

During the procurement post review in May 2017, the World Bank learned that Company A may have misrepresented its past experience when bidding for the Contracts. The Employer carried out further due diligence and found that the bid evaluation committee had not verified Company A’s claimed past experience against publicly available information. The matter was referred to the World Bank Integrity Vice Presidency (“INT”). INT reviewed the procurement records, Company A’s bids, and various documents provided by the Employer.

Findings

Evidence indicates that Company A misrepresented its past experience when bidding for the Contracts.

The Bidding Documents for Contracts X and Y required bidders to have undertaken at least two contracts from 2012 to 2016 valued at RMB 10 million each. Similarly, the Bidding Documents for Contract Z required bidders to have undertaken at least two contracts from 2013 to 2016 valued at RMB 4.5 million each.

In response to this requirement, Company A claimed in its bids for Contracts X and Y that it had undertaken the following contracts:

1. Contract for a sewage treatment plant from November 2013 to May 2014 valued at more than RMB 10 million;
2. Contract for a sewage treatment plant from May 2013 to November 2013 valued at more than RMB 10 million; and

3. Contract for sewage treatment plant pipeline network improvement from March 2013 to September 2013 valued at more than RMB 10 million.

In its bid for Contract Z, Company A claimed that it had undertaken the following contracts:

4. Contract for water supply pipeline relocation and temporary water supply from December 2015 to June 2016 valued at more than RMB 4.5 million; and
5. Contract for water supply pipeline relocation and temporary water supply from December 2015 to March 2016 valued at more than RMB 4.5 million.

Evidence indicates that Company A misrepresented all the contract values for Contract Z and the actual contract values were lower than represented in its bid for Contract Z. Company A was unable to provide supporting documentation to establish the existence of two contracts and had admitted that it inflated the values of three contracts and failed to supply documentation establishing the existence of another two contracts.

Corrective Action

Company A has been sanctioned with debarment with conditional release.