



# **Kingdom of Cambodia**

---

Provincial and Peri-Urban Water Supply and Sanitation Project

**Redacted Report**

**March 2018**

## **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. The WBG's 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 that a joint venture of Company A and Company B (the JV) may have engaged in misconduct in connection with the Provincial and Peri-Urban Water Supply and Sanitation Project (PPWSSP) in Cambodia.

Evidence indicates that the JV, through Company A's representative, made improper payments to government employees to be awarded several contracts under PPWSSP.

The World Bank Group imposed a sanction of debarment with conditional release on Company A, a Company A representative, and Company B. The ineligibility extends to any legal entity directly or indirectly controlled by Company A, the Company A representative, or Company B.

## **Background**

The Provincial and Peri-Urban Water Supply and Sanitation Project (PPWSSP) aimed to assist the Government of Cambodia in expanding water supply infrastructure, improving sanitation conditions in communities across Cambodia, and providing related technical assistance in the form of, among other things, construction management and supervision. PPWSSP was financed by the International Development Association (IDA).<sup>1</sup> PPWSSP was implemented by the Cambodian Ministry of Industry, Mines and Energy (MIME) and the Phnom Penh Water Supply Authority. PPWSSP became effective in November 2003 and closed in June 2011.

A joint venture of Company A and Company B (the JV) was awarded seven contracts under PPWSSP (the Contracts).

## **Allegations**

The World Bank Group Integrity Vice Presidency (INT) received an allegation that the JV made improper payments to government employees to be awarded the Contracts.

## **Methodology**

INT's investigation consisted of, among other steps, a review of the PPWSSP documents, as well as documents and statements obtained from Company A and Company B.

## **Findings**

### **Evidence indicates that the JV made improper payments to government employees in connection with the Contracts.**

Evidence indicates that Company A, through a representative (Company A representative), made improper payments to government employees after the JV was awarded the first four of the Contracts. Evidence also indicates that Company A representative made additional improper payments to government employees after the award of the other three of the Contracts. Evidence indicates that these payments were recorded in Company A's financial accounts as "miscellaneous" expenses, "entertainment" expenses, or "other expenses."

Evidence indicates that Company A representative, acting on behalf of Company A, paid bribes called "success fees" to government employees. Evidence also indicates that the bribe amount for each contract was negotiated after the contract was awarded. Evidence further indicates that Company A used service suppliers to create fabricated receipts to account for the bribe payments in the company's financial records.

Evidence indicates that Company B provided funds, which were eventually used by Company A representative to make the payments to the government employees. Company B's principal

---

<sup>1</sup> IDA is one of the five institutions comprising the World Bank Group. The International Bank for Reconstruction and Development (IBRD) and IDA constitute the World Bank. IDA and the World Bank are used interchangeably throughout this Report.

claimed no specific knowledge of the payments to government employees. Instead, s/he stated that s/he knew that payments were made to someone, and approved the use of three to five percent of the contract values for such payments. Evidence further indicates that Company B's principal reviewed Company A's monthly financial records, and discussed the amounts of "entertainment" fees contained in the monthly reports with Company A.

**Follow Up Action by the World Bank**

The World Bank Group imposed a sanction of debarment with conditional release on Company A, Company A representative, and Company B. The ineligibility extends to any legal entity directly or indirectly controlled by Company A, Company A representative, or Company B.