



Republic of Iraq

Emergency School Construction and Rehabilitation Project

Redacted Report

March 2018

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Executive Summary

This report provides the findings of an administrative inquiry by the World Bank Group Integrity Vice Presidency (INT) into allegations that Companies A and B may have engaged in misconduct in connection with the Emergency School Construction and Rehabilitation Project (the Project) in Iraq.

Companies A and B were each awarded a contract under the Project. Evidence indicates that Companies A and B falsely claimed to have completed the work required under their respective contracts.

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

Background

The Emergency School Construction and Rehabilitation Project (the Project) in Iraq was designed to support the Iraqi government in improving conditions for learning in primary and secondary schools through the rehabilitation of schools in urgent need of major repair. The Project was financed by an International Bank for Reconstruction and Development (IBRD)¹-administered Trust Fund. The Iraqi Ministry of Education (MoE) was assigned general Project oversight responsibilities. A core group of senior MoE staff and hired consultants constituted the Project Management Team (PMT). Company A and Company B were each awarded a contract under the Project. The Project closed in 2013.

Allegations

The World Bank Group Integrity Vice Presidency (INT) received an allegation that Company A and Company B falsely claimed to have completed the work required under their respective contracts.

Methodology

INT's investigation consisted of, among other things, a review of Project documents, and documents and statements obtained from Company A, Company B, and the PMT.

Findings

I. Company A

The MoE and Company A signed a contract for the rehabilitation of three schools—School 1, School 2, and School 3—under the Project (Contract A).

1. Certification of Completion of Work

Evidence indicates that about four months after signing Contract A, Company A reported that it had completed its work under Contract A. Company A and the supervising engineer signed itemized lists noting that all the requirements of Contract A had been met “according to specifications.” The PMT’s designated construction supervisor (Focal Point) and the supervising engineer for each school also signed these lists.

Evidence indicates that in the following weeks, three other events occurred:

- The Focal Point signed an additional document stating that work had been completed, that “all works were implemented according to the specifications and in good timing,” and that “no problems existed” with the implementation.

¹ The IBRD is one of the five institutions comprising the World Bank Group. The International Development Association (IDA) and the IBRD constitute the World Bank. The IBRD and the World Bank are used interchangeably throughout this Report.

- A committee, appointed by the MoE and led by the Focal Point, issued initial acceptance certificates for all works.
- The Focal Point initiated and submitted change orders that increased the value of Contract A. These change orders were approved by Company A.

2. Inspections of the Work Certified as Complete

a. World Bank Inspection

World Bank staff conducted an inspection, and observed that the schools rehabilitated by Company A were not completed as Company A and the Focal Point claimed in their initial certification. Specifically, evidence indicates that World Bank staff observed that minor discrepancies existed with School 1 and School 2; and that School 3 was missing some facilities, while other “new” facilities were actually refurbished.

b. PMT Inspection

Evidence indicates that based on these initial findings, the PMT office conducted a full review of Contract A, and observed various items that were not implemented and/or constructed to specification. The PMT office also noted that at School 1, some extra work had been done. In response to the PMT inspection, the Focal Point submitted additional change orders that deducted works not completed by Company A.

c. School Construction Directorate Inspection

Evidence indicates that, subsequently, another inspection was conducted by a third-party committee comprised of members of the MoE School Construction Directorate (SCD). A cover letter signed by the PMT leader stated that the total value for works completed by Company A was less than the value indicated in the underlying documents.

In an additional letter to the MoE, the SCD Director General noted that some of the completed work was beyond what the PMT had requested. The Director General wrote that newly added items were “implemented due to schools’ need for such works, and deleted items were removed from bills of quantities after they were proved not needed in these schools. Changes were made for the public interest.” The new items appeared to have had a total value of a certain amount. However, this amount is less than the discrepancy between the value of Company A’s work and the amount Company A was paid. It also was unclear whether the Director General referred to items incorporated into Contract A by change orders, or items that had never been made part of Contract A.

d. Subsequent Change Order

Based on the SCD committee’s findings, the PMT Director, along with four other PMT staff, submitted a further change order to bring the contract payments in line with the work completed. However, evidence indicates that the change order submitted by the Focal Point still overstated the value of Company A’s work.

3. Company A's Explanation

During INT's investigation, Company A told INT that it did not complete the list of services and rehabilitation work set out in the initial contract. Company A informed INT that it was directed by the Focal Point and school principals to not perform certain contracted tasks, and instead perform work that the Focal Point and the school principals considered more important. Company A admitted to INT that it cooperated with the schools' requests for these variations.

Company A informed INT that it submitted invoices for incomplete works, in order to compensate for other works that had been completed. Company A informed INT that it submitted the invoices on the recommendation of the Focal Point, among others. Company A asserted that it had provided "at least the total value of the contract, if not more." However, Company A failed to provide any supporting evidence for that assertion when requested to do so.

In support of Company A's explanations, the Focal Point wrote to the World Bank, explaining that s/he had requested some of the changes in the contract execution for technical reasons, and to save time.

II. Company B

The MoE and Company B signed a contract for the rehabilitation of three schools—School 4, School 5, and School 6—under the Project (Contract B).

1. Certification of Completion of Work

Evidence indicates that about four months after the signing of Contract B, Company B reported that it had completed its work under Contract B. Evidence indicates that in the following weeks, three other events occurred:

- A committee, including PMT officials and a representative of Company B, signed a receiving report for each school certifying completion of work. It read, "[t] he committee performed on-site probation and inspection and found that works were completed as per the technical conditions and specifications."
- A committee, appointed by the MoE and led by the Focal Point, issued initial acceptance certificates for all works.
- Change orders were added to Contract B that increased its value.

2. Inspections of the Work Certified as Complete

a. World Bank Inspection

World Bank staff conducted an inspection and observed that in two of the three schools rehabilitated by Company B (Schools 4 and 5), and found that Company B had not built all the contracted-for facilities. As a result of these findings, the World Bank withheld the disbursement of final payment to Company B.

b. PMT Inspection

Evidence indicates that a PMT-appointed committee, including the Focal Point, conducted an inspection of Schools 4, 5, and 6. The PMT committee observed that at Schools 5 and 6 a variety of contracted-for work was not completed. The PMT committee further observed that at School 4, contrary to Contract B, Company B had refurbished facilities, rather than provide new facilities; had not installed various fixtures; and not completed work.

In response to the PMT inspection, the Focal Point submitted additional change orders that deducted works not completed by Company B.

c. School Construction Directorate Inspection

Evidence indicates that the SCD inspection committee found that the total value of Company B's completed work amounted to a certain sum but it deducted an additional amount for substandard work. This adjusted figure was less than the value Company B certified complete, and less than the value of the contract after the above-mentioned change orders.

d. Court-Appointed Audit Committee Inspection

Company B challenged the PMT office's assessment in domestic court. The court appointed an audit committee, which inspected Company B's schools. Based on the audit committee's report, the court made a valuation of Company B's work.

The court's final figure was established based on an item-by-item survey of works required by the contract and change orders. The audit report identified that various items were not implemented, were partially incomplete, or were fully rejected due to substandard quality. The court's valuation was lower than the valuation that Company B certified as complete.

3. Company B's Explanation

Company B informed INT that it had completed the works on the schools as required by the Focal Point and Contract B. However, Company B also admitted that despite the contract requirements, it repaired some items rather than replacing them. Company B informed INT that it did so at the request of the Focal Point and school managers. In his/her written statement to the World Bank, the Focal Point admitted to informally canceling certain contractually-required work, in favor of items that s/he deemed more important.

Company B did not contest the accuracy of the PMT inspection, but disagreed with the inspection's valuation of Company B's work. Company B stated that it had performed additional works requested by the Focal Point and one of the school's principals.

Company B said that none of these on-site changes were documented, and that they were not included in change orders. It is unclear from Company B's explanation whether it meant that the changes were never included in change orders, or that the changes were not incorporated in change orders while the initial work was ongoing.

Follow-Up Action by the World Bank

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