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 ("TNT") into allegations of misconduct in connection with the Chongqing Urban-Rural Integration Project (the "CURIP") in the People’s Republic of China.

A company ("Company A") was awarded a CURIP contract. Company A submitted a performance security that was purportedly issued by a Commercial Bank, and was allegedly valid until 28 days after the end of the defects liability period. Evidence indicates that, when Company A failed to execute the Contract, the Project Implementation Unit attempted to encash the performance security. However, evidence indicates that the performance security was not authentic, with a false validity date.

The World Bank has imposed the administrative sanction of debarment with conditional release against Company A, extending to any legal entity Company A directly or indirectly controls.
Background

The Chongqing Urban-Rural Integration Project (“CURIP”) aims to increase the access of residents in participating countries and districts to improved public services including roads, water supply, employment training, and primary healthcare. CURIP became effective in October 2010, and closed in June 2017. CURIP was financed by the International Bank for Reconstruction and Development (“IBRD”).

In late 2011, the Project Implementing Unit (“PIU”) awarded a Project contract (the “Contract”) to a company (“Company A”). Company A was required to provide the PIU with a commercial bank-issued performance security that was valid and enforceable until 28 days after the end of the one-year defects liability period. Company A provided, as required, the performance security. The PIU and Company A signed the approximately US$ 2 million Contract.

Allegations & Methodology

The World Bank Group Integrity Vice Presidency (“INT”) received an allegation that Company A submitted a false performance security

INT’s investigation consisted of, among other things, a review of: (i) the CURIP documents; and (ii) statements provided to the PIU by the purported issuer of Company A’s performance security (the “Commercial Bank”) (as the Commercial Bank declined to communicate directly to INT).

Findings

Evidence indicates that Company A provided the PIU with a fraudulent performance security with a false validity date.

Company A was required to provide the PIU with a commercial bank-issued performance security within 14 days of receipt of the Notice of Contract Award. The performance security had to be valid and enforceable until 28 days after the end of the one-year defects liability period.

To satisfy this requirement, Company A provided the PIU with a performance security purportedly issued by the Commercial Bank to Company A (the “Performance Security”) in early 2012. Evidence indicates that the Performance Security represented that it was valid until 28 days after the end of the defects liability period.

Evidence indicates that in early 2013, Company A ceased Contract performance. By stipulated Contract completion day, evidence indicates that work remained substantially incomplete. Evidence suggests that, despite several notices from the PIU and the supervisor, Company A did not resume performance of the required work or provide any explanation for its cessation of work.

In late 2013, the PIU visited the Commercial Bank to encash the Performance Security. Evidence indicates that the Commercial Bank told the PIU that the Performance Security was not authentic. Evidence further indicates that, while the Commercial Bank had issued
Company A a performance security, it had only been valid until late 2012, and not until the date claimed on the Performance Security.

**Corrective Actions**

The World Bank has imposed the administrative sanction of debarment with conditional release against Company A, extending to any legal entity Company A directly or indirectly controls.