Republic of Indonesia

Aceh Economic Development Financing Facility Project

Redacted Report

February 2016
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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 the director of a non-governmental organization (Organization A’s Director), Organization A, may have engaged in misconduct in connection with the procurement process under the World Bank-financed Aceh Economic Development Financing Facility Project in Indonesia (the Project).

Under the Project, the Government of Aceh awarded a Sub-Project contract to Organization A and another non-governmental organization, Organization B. Shortly thereafter, the Government of Aceh and Organization B concluded a Sub-Grant Agreement (the Sub-Grant Agreement), which contained the implementation details of the Sub-Project.

The Sub-Grant Agreement provided a specific procurement plan regarding rental cars needed for the Sub-Project. Organization B’s General Manager was in charge of the procurement process. Evidence indicates that Organization A’s Director repeatedly requested that Organization B’s General Manager rent his personal car and Organization A’s advisor’s car, in violation of the procurement requirements of the Sub-Grant Agreement. Evidence further suggests that, on one occasion, Organization A’s Director threatened Organization B’s General Manager in his attempt to have her rent his personal car. Evidence also indicates that Organization A’s Director submitted a false car registration for his personal car in order to give the appearance that his vehicle complied with the requirements of the Sub-Grant Agreement.

Additionally, evidence suggests that Organization A’s Director submitted to Organization B’s General Manager an inflated reimbursement request for leasing expenses under the Sub-Project.

The World Bank imposed a sanction of debarment with conditional release on Organization A’s Director, which extends to any legal entity that Organization A’s Director directly or indirectly controls.
Background

The Aceh Economic Development Financing Facility Project in Indonesia (the Project) aimed to promote post-tsunami economic recovery and foster sustainable long-term economic development in Aceh in accordance with the Indonesian government’s recovery and development plans.

Two non-governmental organizations, Organization A and Organization B, submitted a proposal for a Sub-Project contract under the Project (the Sub-Project). Subsequently, the Government of Aceh awarded the Sub-Project contract to Organization A and Organization B. Thereafter, the Government of Aceh and Organization B concluded a Sub-Grant Agreement (the Sub-Grant Agreement), which contained the implementation details of the Sub-Project.

Allegations

The World Bank Group Integrity Vice Presidency (INT) received a report from Organization B, alleging that Organization A’s Director engaged in misconduct in connection with the procurement process under the Sub-Project. The report alleged that Organization A’s Director repeatedly made improper requests to Organization B’s General Manager, who had signatory authority for rental car contracts under the Sub-Project. Specifically, the report stated that Organization A’s Director repeatedly requested Organization B’s General Manager to rent his personal car and Organization A’s advisor’s car for the Sub-Project even though those cars did not meet the requirements of the Sub-Grant Agreement. The report also alleged that Organization A’s Director submitted an inflated reimbursement request for leasing expenses under the Sub-Project.

Methodology

INT’s investigation consisted of, among other things, a detailed review of relevant Project documents as well as documents and statements obtained from Organization A’s Director and Organization B’s General Manager.

Findings

1. Evidence indicates that Organization A’s Director repeatedly requested Organization B’s General Manager to rent his personal car and Organization A’s advisor’s car for the Sub-Project even though those cars did not meet the requirements of the Sub-Grant Agreement.

Organization B commenced the procurement process for renting cars needed for the Sub-Project. The Sub-Grant Agreement between the Government of Aceh and Organization B provided a specific procurement process and the types of cars to be procured.

Organization B’s General Manager informed INT that, during the procurement process, Organization A’s Director asked her to rent his personal car and the car of Organization A’s advisor for two rental contracts. Organization B’s General Manager told INT that this request was rejected for two reasons. First, based on information provided to INT by Organization B’s General Manager, Organization A’s Director had not gone through the
procurement process as required by the Sub-Grant Agreement. Second, Organization A’s Director’s car was not the type of the car required by the Sub-Grant Agreement.

Organization B’s General Manager further informed INT that, despite her refusal, Organization A’s Director repeated his request that she authorize rental of his personal vehicle for the Sub-Project in violation of the procurement process requirements. Organization A’s Director also provided a false car registration for his car in an attempt to fulfill the requirement of the Sub-Grant Agreement. During INT’s investigation, Organization A’s Director did not deny or confirm the allegations regarding the car rental, but insisted that the cars in question were used under the Sub-Project and, therefore, should be paid for by the Sub-Project.

2. Evidence indicates that Organization A’s Director threatened Organization B’s General Manager in his attempt to have her rent his car for the Sub-Project.

Organization B’s General Manager informed INT that Organization A’s Director once visited Organization B’s office to attempt to get his car approved for a rental contract. When his request was refused, Organization A’s Director responded by banging several times on the desk with his fist, reaching over the desk, pointing his finger at Organization B’s General Manager’s face, and angrily declaring that the car needed to be used for the Sub-Project and Organization B’s General Manager had to be more careful.

INT found that Organization A’s Director’s behavior was objectively threatening, considering Aceh’s post-conflict situation and Organization A’s Director’s reputation. Specifically, a witness of the incident informed INT that it would be easy for someone to hurt another in Aceh’s post-conflict situation. This individual also stated that Organization A’s Director was an ex-combatant and had reputation for executing what he said. During INT’s investigation, Organization A’s Director did not deny the incident, but asserted that Organization B’s General Manager had exaggerated the interaction.

3. Evidence indicates that Organization A’s Director submitted an inflated reimbursement request for leasing expenses under the Sub-Project.

Upon being awarded the Sub-Project, Organization A and Organization B entered into the Sub-Project Agreement, which provided that Organization B would carry out the overall administrative, financial, and procurement functions of the Sub-Project and Organization A would manage the actual field implementation of the Sub-Project.

Organization A’s Director submitted to Organization B a reimbursement request for the office lease expenses in the amount of Indonesian Rupiah (IDR) 120,000,000. With the reimbursement request, Organization A’s Director submitted a purported lease agreement between Organization A and the property owner, in the amount of IDR 120,000,000.

However, evidence indicates that Organization A’s Director signed two lease agreements for the office for the same period of time. Specifically, evidence indicates that Organization A’s Director signed a lease agreement in the amount of IDR 70,000,000 (the First Lease) and another lease agreement for the same office in the amount of IDR 120,000,000 (the Second Lease). Organization A’s Director submitted only the Second
Lease with the reimbursement request mentioned above. When INT asked Organization A’s Director to provide an explanation of the First Lease, he claimed that the First Lease was superseded by the Second Lease because, after signing the First Lease, the property owner requested additional IDR 50,000,000 for certain repairs in the office.

Evidence indicates that Organization A’s Director improperly created the Second Lease to acquire IDR 50,000,000 when the actual cost of lease was IDR 70,000,000, as agreed in the First Lease. Organization B’s General Manager informed INT that Organization A’s Director stated that the First Lease was the valid lease. Organization B’s General Manager also heard from the property owner that Organization A’s Director had paid IDR 20,000,000 to the property owner in exchange for the signing of the Second Lease.

**Follow Up Action by the World Bank**

The World Bank imposed a sanction of debarment with conditional release on Organization A’s Director, which extends to any legal entity that Organization A’s Director directly or indirectly controls.