Kingdom of Cambodia

Land Project A

REDACTED REPORT

November 1, 2010
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Background

Land Project A (the Project) in the Kingdom of Cambodia sought to improve security of land ownership and promote property market efficiency by (i) developing the national policies, regulations and institutions for land administration; (ii) issuing and registering land titles in urban and rural areas; and (iii) establishing an efficient and transparent land administration system. The Project closed in December 31, 2009.

In accordance with the legal agreement for the Project, a portion of the proceeds from the Project were to be used to fund the construction of several buildings for the Project. To this end, the Project's implementing agency (the Agency) publicized separate invitations for bids for the construction contracts. The Bid Evaluation Committee (BEC) recommended that Company X, be awarded a majority of the construction contracts under the Project.

Allegations

In 2005, INT received information about various irregularities on the Project including the solicitation and receipt of improper payments by land mapping field teams; land titles being issued for illegally seized state land, the titling of lands for non-Cambodian nationals in exchange for money; bid rigging for the construction of buildings; and manipulation of the procurement process and improper payments connected to the appointment of new staff. INT conducted an administrative inquiry (the investigation) into these allegations.

Findings

1. **Evidence indicates that Company X made improper payments.**

INT's investigation found evidence indicating that Company X made improper payments to at least one undisclosed government official in order to influence and facilitate the payment of its invoices under the contracts. In addition, a site inspection by INT's engineering expert at one of the contract sites determined that Company X's works were poorly implemented and did not fulfill the quality requirements of the contract. Company X's invoices were nonetheless paid on this contract. Company X told INT investigators that it believed its initial invoices were not paid because the company did not pay bribes to win the contracts in the first place; but as a consequence, the Agency was requiring greater inspection and verification of works as a means of delaying the invoice payments. However, INT's investigation determined that the relevant government agency had to conduct onsite inspections to verify the contractor's claims in order for payments to be made for the contracts in question.

2. **Evidence indicates that Company X misrepresented its plan to utilize undisclosed subcontractors**

The terms of the Project contracts specified that the contracts would be "terminated automatically and without compensation" if parts of the works (with the exception of hauling material) were subcontracted to another party without the Project Manager's authorization. In addition to admissions by Company X, INT found evidence indicating that Company X subcontracted at least substantial parts of these contracts during the implementation. Company X did not disclose in its bids that it would be using subcontractors; and by not doing so, Company X prevented the Borrower from evaluating the subcontractors' capacities and possibly selecting another bidder with more capacity than Company X.
INT’s investigation found that, without the use of subcontractors, Company X would not have been able to execute all the contracts by itself, as they were located in disparate parts of the country. Most of Company X’s bids were significantly below the other competing bids and the cost estimates. Several witnesses stated to INT investigators that it would be impossible for Company X to construct all the buildings at the same time, and to deliver the quality of works expected at the prices quoted by Company X in its bids. One witness told investigators that Company X did not have the work team and equipment to implement the Project. Another witness informed INT investigators that Company X routinely used subcontractors to work on some of the Project buildings. INT investigators inspected three construction sites where Company X had subcontracted another party to perform the construction work and found the construction generally to be of poor quality. Given the above findings, it is reasonable to infer that Company X intended all along to use subcontractors despite its representations in its bids that it would not.

As a result of sanctions proceedings initiated by INT against Company X and its CEO, both were debarred by the World Bank’s Sanctions Board from being awarded any Bank-financed contracts or otherwise participating in the preparation or implementation of Bank-financed projects for a period of two years.