Palestinian Authority

West Bank and Gaza Local Government Capacity Building Project

Redacted Report

August 2, 2012
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Executive Summary

This Report summarizes the findings of an administrative inquiry (the investigation) by the World Bank’s (the Bank’s) Integrity Vice Presidency (INT) into allegations that Company A falsified and misrepresented its experience in its proposal for the contract “Assistance with the Establishment of an Integrated Financial Management Information System” under the Bank-financed West Bank and Gaza Local Government Capacity Building Project.

The Request For Proposal for the Contract required firms to provide information on its past experience. In response to this requirement, Company A’s proposal for the Contract included 15 references to Bank-financed contracts. INT found that ten of these 15 references were false or misleading. In particular, Company A included in its proposal four contract references that falsely adopted the experience of another entity, five contract references with inflated values and one contract reference that inflated the value of a subcontract presenting it as a prime contract.
Background

On March 2005, the Palestine Liberation Organization (for the benefit of the Palestinian Authority) and the International Development Association (World Bank or Bank), as the administrator of a US$2.5 million trust fund grant from the Kingdom of Denmark, entered into the Denmark Grant Agreement for the implementation of the West Bank and Gaza Local Government Capacity Building Project (LGCBP or Project). The objective of the Project is to “improve local governance and accountability, and thereby foster the efficient and sustainable economic, social and physical development of the urban and rural areas in the parts of West Bank and Gaza under the jurisdiction of the Palestinian Authority, through the capacity building of the Ministry of Local Government (MOLG) and the Local Government Units (LGUs).” The implementation of the Project is entrusted to the Municipal Development Fund (MDF). The closing date for the Project is June 2012.

In December 2006, the MDF published a Request for Expressions of Interest (REOI) for a contract “Assistance with the Establishment of an Integrated Financial Management Information System” to provide consulting services (the Contract) under the Project. Also in December 2006, Company A, a US management consulting firm incorporated in March 2004 by Person A, submitted its Expression of Interest (EOI) for the Contract. In January 2007, the MDF issued a Request for Proposals (RFP) for the Contract to six shortlisted consulting firms, including Company A. In February 2007, Company A submitted its proposal for the Contract. Company A did not win the Contract. In November 2007, the MDF canceled the selection process for the Contract in favor of recruiting individual consultants.

In June 2007, the Bank’s Integrity Vice Presidency (INT) received an anonymous complaint alleging corruption in certain Bank procurements in Asia. Company A was assisting with these procurements. In light of this information, INT conducted an inspection of Company A’s records and an investigation into a number of contracts awarded to Company A in Asia. INT found indicators of fraud. Based on these findings, INT also reviewed Company A’s proposal for the Contract.

Methodology

Following its preliminary review, INT undertook an investigation, consisting of the following actions: reviewing and analyzing relevant Project documents; meetings with representatives of Company A; correspondence with Company A’s consultants; and, an interview of Company A’s Chairman and Chief Executive Officer, Person A.

Findings

INT’s investigation found evidence indicating that it is “more likely than not” that Company A falsified and misrepresented its experience in its proposal for the Contract.

The RFP required firms to provide “information on each assignment for which your firm, and each associate for this assignment, was legally contracted either individually as a corporate
entity or as one of the major companies within an association, for carrying out consulting services similar to the ones requested under this assignment.” In response to this requirement, Company A’s proposal included 15 references to Bank-financed contracts, in addition to other references.

INT found that ten of these 15 references were false or misleading. In particular, Company A included in its proposal for the Contract:

(i) **Four Contract References that Falsely Adopted the Experience of Another Entity.** In an interview with INT, a company representative admitted that Company A did not win or execute four Bank-financed contracts under the Bank projects referenced to in Company A’s proposal for the Contract. One reference referred to a contract that was awarded to Company A in April 2006, but never executed as the client had canceled the contract before it was signed. In addition, the first three contracts listed in the Company A’s proposal occurred before Company A’s date of incorporation.

(ii) **Five Contract References with Inflated Values.** INT found evidence indicating that Company A inflated the value by an average of 263% of five Bank-financed contracts, which it had won and executed. A company representative admitted to INT that the “value of services” as represented in the references was incorrect and that other misrepresentations existed, such as misstatements of the number of staff working on the contracts.

(iii) **One Contract Reference inflated the value of the subcontract by more than two million dollars.** Company A submitted a reference to a contract, for which it was a subcontractor, under a Bank-financed project. However, INT found that Company A omitted any mention of the prime contractor or of the fact that Company A was merely a subcontractor. Moreover, Company A grossly inflated the value of its services by more than two million dollars.

Upon conclusion of its investigation, INT referred this matter as well as other misrepresentations committed by Company A under Bank-financed projects in other countries to the Evaluation and Suspension Officer in order to initiate sanctions. On April 2010, Company A and the Company’s Chairman and Executive Officer were debarred from receiving Bank-financed contracts until March 2018.