REDACTED REPORT
Emergency Demobilization and Reintegration Project

Democratic Republic of Congo
Statement of Use and Limitations

This strictly confidential Report was prepared by the Department of Institutional Integrity (INT) of the World Bank Group. It provides the findings of INT's administrative fact-finding inquiry (the investigation) into allegations of fraud and corruption in relation to contracts financed under a World Bank project in the Democratic Republic of Congo (DRC).

The purpose of the investigation underlying this report is to allow the Bank to determine if its own rules on procurement have been violated. This report is being shared with the Recipient of the Report to ensure that the Recipient is aware of the results of the INT investigation. Given the strictly confidential nature of this Report, it may not be disclosed publicly by the Recipient.

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1 “Recipient” is defined in the cover letter or cover memorandum accompanying this Report.
BACKGROUND

The Emergency Demobilization and Reintegration Project (EDRP or the Project) implemented in the DRC was financed by a $100 million International Development Agency (IDA) Development Credit Agreement and a $100 million Multi-Country Demobilization and Reintegration Program Trust Fund Grant. The purpose of the EDRP was to finance the demobilization, reinsertion and reintegration of ex-combatants to civilian life. The DRC created a government agency called CIDDR\(^2\) to develop policies, supervise the implementation of demobilization and reintegration activities, and ensure coordination with defense sector reform activities and policies. A separate government agency, CONADER\(^3\), was responsible for the overall coordination, management and implementation of the Project. A third government agency, CGFDR\(^4\) was created to ensure a transparent bidding process, provide financial management and procurement support, and ensure proper reporting to CONADER. In May 2005, the Government of the DRC, after consulting with the Bank, abolished CGFDR and transferred its responsibilities to CONADER.

ALLEGATIONS

Several persons directly or indirectly involved in the implementation of the EDRP brought the following allegations to INT’s attention:

1) Two companies (designated herein as Company A and Company B) partnered together and allegedly made corrupt payments to a project official in exchange for the award of a contract to Company B to supply computer equipment and related services. The contract was worth an estimated US$903,596.63.

2) A third company (designated herein as Company C) allegedly billed the EDRP for time worked by “ghost employees” (i.e., employees that do not exist).

In the course of investigating the foregoing, INT received the following additional allegations:

3) CONADER officials may have violated applicable procurement procedures in connection with chartering certain flights to transport demobilized ex-combatants; and

4) CONADER officials may have employed some of its local staff without following applicable procurement requirements, and may have hired a civil servant.

METHODOLOGY

During the course of the investigation, INT interviewed several witnesses. They included the original complainants, the subjects of the allegations, Project officials, and Bank staff working on the Project. In addition, INT collected and reviewed a large amount of project documentation, including contracts and payment data.

\(^2\) CIDDR is the French abbreviation for “Comité Inter-Ministériel chargé de la Conception et de l’Orientation en matière de Désarmement, Démobilisation et Réinsertion.”

\(^3\) CONADER is the French abbreviation for “Commission Nationale de Désarmement, Démobilisation et Réinsertion.”

\(^4\) CGFDR is the French abbreviation for “Comité de gestion des Fonds de Désarmement, Démobilisation et Réinsertion.”
FINDINGS

The INT investigation found evidence of fraud and corruption in the bidding and execution of contracts financed under the EDRP.

1. Company A and Company B engaged in corrupt practices by paying a bribe to a CONADER official, in exchange for a contract financed under the EDRP to provide computer equipment and related services.

In the fall of 2004, Company B was among four bidders that submitted a bid for a contract financed under the EDRP for the supply of computer equipment and related services. Project officials’ own cost estimate for the contract was US$903,596.63. The bid evaluation committee, which included the CONADER Official to whom the bribe was paid, found Company B to be the only bidder that fully conformed to the bid requirements and, therefore, recommended that the contract be awarded to Company B. Company B’s bid was the highest bid at US$897,045.80. Notably, Company B’s bid was just US$6,550.56 below the Project officials’ cost estimate, while the other three bids were between US$331,000 and US$469,000 below the cost estimate.

In November 2004 and before receiving a no-objection from the Bank, CONADER awarded the contract to Company B, which immediately began to perform its contractual duties.¹ A representative of Company B told INT that after being notified of the contract award, he began looking for a partner company that could help facilitate execution of the contract. He was introduced to the representative of Company A by an employee of the MONUC⁶ office in Kinshasa. The Company A representative told INT that while Company A was interested in working with Company B on this contract, Company A first wanted to verify that the contract had actually been awarded. According to representatives of both Company A and Company B, they then met in Kinshasa at the end of November 2004, at which time they agreed to work together.

**According to witness testimony, the CONADER Official solicited a bribe.** During this Kinshasa meeting, the two representatives went to CONADER’s office for a meeting regarding the execution of the contract. According to the Company B representative, during this meeting the CONADER Official demanded between 15 and 20 percent of the contract value as a prerequisite to the issuance of a purchase order under the contract. The Company A representative admitted to INT that during this meeting, the Company B representative had told him that he had committed to CONADER that it would receive part of the profits from the contract.

According to the Company B representative, subsequent to this meeting, the CONADER Official contacted him several times demanding the bribe money and provided him with a bank account number into

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¹ By awarding the contract before receiving a no-objection letter from the Bank, which was only requested on January 11, 2005, CONADER violated requirements of both the Development Credit Agreement and the Trust Fund Grant Agreement. Unaware that the contract had already been let, on January 18, 2005, the Bank objected to awarding the contract to Company B. The Bank noted that there were anomalies in the conclusion that the three losing bidders were not qualified and that Company B’s bid was far higher than any of the other bids. The Bank’s objection led to the cancellation of Company B’s contract, even though Company B had already begun to install cables and wires at CONADER’s offices.

which the money was to be paid. According to a lower level CONADER employee, who worked for another high level CONADER staff, at some point in time the CONADER Official asked the employee to find a bank account into which foreign money could be deposited and kept. The CONADER employee claims to have provided a family friend’s account number for an account.7 This account was at the same bank that the CONADER Official had referenced to the Company B representative.

The Company A representative admitted to making a wire transfer into the account number provided by the CONADER Official and documentary evidence confirms that the payment was made. The Company A representative admitted that a wire transfer was made to the account number provided by the CONADER Official in December 2004. Indeed, an Outgoing Wire Transfer Form dated December 22, 2004 from a bank used by Company A, shows that the Company A representative wired US$20,000 in favor of “[X]9 /[Company B representative’s name]” at the bank designated by the CONADER Official.9 A short time later, the Company B representative sent an email to the Company A representative to inform him that he had given “[X] the scanned document of the wired money,” and that X had “expressed to me the displeasure of his boss about the amount,” since the Company A representative had, according to the email, promised to pay 10 percent of the contract amount.

Upon cancellation of the contract by the Bank (see supra), the Company A representative repeatedly requested a refund of the US$20,000. The Company B representative informed INT that when the CONADER Official was approached about refunding the money to the Company A representative, the Company B representative referred him to the CONADER employee who had provided the Bank account number. Eventually, the CONADER employee reimbursed US$5,000 to the Company A representative. The reimbursement was made through the same MONUC employee that had originally introduced Company A to Company B.

In the view of INT, the activities described above amount to corrupt practices as defined by 1.15(a)(i) of the Bank’s Guidelines: Procurement under IBRD Loans and IDA Credits (Procurement Guidelines) dated January 1995 and revised in January and August 1996, September 1997, and January 1999.10

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7 The CONADER employee recalls that around the end of December 2004, a US$20,000 wire transfer was received into the account, where it remained until March 2005.
8 “X” stands for the first name of the CONADER Official. The Company A representative told INT that when he met with the CONADER Official at CONADER’s offices, he remembers him as “Mr. X,” although he denied having made the connection between the name “X” on the wire transfer and the CONADER official Mr. X whom he had met weeks prior to the wire transfer. The Company A representative also claims that the wire transfer was an advance so that COMPANY B could begin work on the contract. This representative further claimed that the wire transfer was made by a former employee whose name was not provided to INT. This representative’s assertions are contradicted by the record. First, in March 2005, when requesting the return of the US$20,000, the Company A representative sent an email to the Company B representative, in which he acknowledged “[X] & CONADER” were the “parties to whom this money was transmitted upon [the Company B representative’s] request and instruction.” This indicates that, contrary to earlier assertions, the Company A representative did indeed know who “Mr. X” was. Second, he had admitted that he was aware that the Company B representative committed to CONADER that it would receive part of the profits from the contract.
9 INT was not able to identify the actual beneficiary of this bank account or trace any bank transactions following up this credit.
10 Paragraph 1.15(a)(i) of the Procurement Guidelines defines a corrupt practice as “offering, giving, receiving, or soliciting of any thing of value to influence a public official in the procurement process or in the contract execution.” As reflected in both the Development Grant Agreement and the Multi-Country Demobilization and Reintegration Program Trust Fund Grant Agreement, this definition was applicable to the contract in question.
2. The evidence is unclear as to whether Company C used “ghost employees” due to the lack of cooperation by the company.

As Company C refused to provide investigators with copies of pay stubs or other employment records, INT was unable to determine whether Company C siphoned funds out of the project by using “ghost employees.”

3. INT nonetheless believes that CONADER and Company C engaged in fraudulent conduct by restructuring three high value security contracts into multiple smaller contracts, thereby circumventing the procurement requirements.

INT discovered that, on several occasions, CONADER signed multiple small contracts with Company C on the same day, for the same services, to be provided for precisely the same price in various areas of the DRC. The value of each of these contracts fell below the Development Credit Agreement’s US$100,000 threshold that would have triggered an obligation to comply with International Competitive Bidding (ICB) and Quality Cost Based Selection (QCBS) procurement procedures, and which would have required the issuance by the Bank of a no-objection letter prior to execution of the contract. As all contracts were awarded to the same company irrespective of the area, further analysis indicates that this splitting of these contracts and their pricing has no legitimate economic rationale: although the services were to be performed in many different regions, which could involve varying transportation and logistics costs, these small individual contracts have the same price. Had there been any contractual or operational need to divide a US$1.158 million contract into smaller lots, rather than the splitting of this assignment in 25 smaller contracts for each individual location as CONADER did, a reasonable approach might have been to group these small assignments into three lots on the basis of the length of the assignment and the number of guards involved. However, on each occasion, the award had been made under three different contracts consistent with the scope of the tasks, CONADER would still have been required to adhere to ICB and QCBS bidding requirements. Additionally, but for the splitting of the contracts, CONADER should also have obtained the Bank’s no objection before awarding the contracts.

The total amount of contracts awarded to Company C that appear to be tainted was US$ 1,158,000 of which IDA funded US$925,500 and the multi-donor trust fund funded US$232,500.

In this particular case, by structuring the contracts as they did, INT is of the view that Company C and CONADER committed fraud by “misrepresent[ing] . . . facts in order to influence a procurement process . . . to the detriment of the Borrower,” thereby “depriv[ing] the Borrower of the benefits of free and open competition,” in contravention of paragraph 1.15(a)(ii) of the applicable Guidelines: Selection and Employment of Consultants by the World Bank Borrowers (Consultant Guidelines), published by the Bank in January 1997, and revised in September 1997 and January 1999.

11 Another option of grouping the contracts could have been by Provinces where the services were to be provided i.e. all contracts executed in the Province of Sud-Kivu. This grouping would also have led to contracts with prices above the threshold that would have triggered competitive bidding and prior review by the Bank.
4. The investigation revealed a number of discrepancies—and at least one instance of fraudulent conduct—in relation to contracts to provide air transportation for demobilized personnel.

In October 2005, CONADER and the World Food Program (WFP) signed a contract pursuant to which the WFP assumed responsibility for the transportation. However, INT identified that in December 2005, notwithstanding its contract with the WFP, CONADER paid a fourth company (designated herein as Company D), a local airline company, a single check totaling US$274,000.00. This payment covered six separate contracts for flights occurring on the same date, each of which was below the thresholds that would trigger the obligation to conduct the procurement through a competitive bidding process (either national or international) or to submit the contracts to the Bank for its prior review. Similar to the awards of the security contracts to Company C described above, the splitting of the Company D contracts has no legitimate economic rationale: four of these contracts were on the same route, with a similar number of passengers and on the same day, while two of these were both on the same route with the same number of passengers. Furthermore, had there been any contractual or operational needs to divide a US$274,000 contract into smaller lots, it appears that these numerous individual contracts could have been grouped according to the routes. However, on each occasion, had the award been made with such rationale, CONADER would still have been required to adhere to competitive bidding requirements as these contracts would have been above the Development Credit Agreement’s prior review threshold of US$100,000. Additionally, but for the splitting of the contracts, CONADER, should also have obtained the Bank’s no objection before awarding the contracts.

By structuring the contracts as they did, INT believes that Company D and CONADER committed fraud by “misrepresent[ing] . . . facts in order to influence a procurement process . . . to the detriment of the Borrower,” thereby “depriv[ing] the Borrower of the benefits of free and open competition,” in contravention of paragraph 1.15(a)(ii) of the Guidelines: Selection and Employment of Consultants by the World Bank Borrowers (Consultant Guidelines), published by the Bank in January 1997, and revised in September 1997 and January 1999.12

5. The evidence obtained during the investigation suggests that CONADER may have improperly employed an active civil servant.

INT established that a civil servant on the government’s payroll, also served as a CONADER official. By employing this individual under these conditions, it appears that CONADER officials may have violated paragraph 1.10(b)(ii) of the Consultant Guidelines, which permits the employment of civil servants as consultants only if they are on leave of absence without pay. On September 15, 2005, the General Secretary of a DRC Ministry instructed that Ministry’s Director of Human Resources and Finance to stop paying this individual’s salary. However, INT was not able to determine whether this individual’s salary was in fact suspended.

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12 Five of these six contracts identified by INT, were later found to be non-compliant with the Bank’s governing procurement guidelines, by an Independent Procurement Review (IPR), conducted at the request of the Bank’s Project team. These 5 contracts are part of the US$5.9 million misprocurement declared by the Bank in on May 14, 2007 as a result of this IPR.