Republic of Iraq

Dokan and Derbandikan Emergency Hydro Power Project

Redacted Report

September 5, 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, a US-based firm falsified and misrepresented its experience in its Expression of Interest (EOI) for the contract “External Auditor Services” (the Contract) under the Bank-financed Iraq Dokan and Derbandikan Emergency Hydro Power Project.

The Request for Expressions of Interest in relation to the Contract required firms to provide information on their past experience. In response to this requirement, Company A’s EOI for the Contract included 14 references to Bank-financed contracts. INT found that all 14 references were false or misleading. In particular, Company A’s EOI for the Contract included 12 references that falsely adopted the experience of another entity and two contract references with inflated values.
1. **Background**

1.1 In April 2007, the Republic of Iraq and the International Development Association (World Bank or Bank) entered into a Financing Agreement for approximately US$40 million to finance the Iraq Dokan and Derbandikan Emergency Hydro Power Project (DDEHPP or the Project). The objective of the Project is to "(i) help alleviate the current power supply shortfall in the Kurdish region through urgent repair work; (ii) strengthen the capacity of local operational staff; and (iii) prepare for the subsequent rehabilitation of the Dokan and Derbandikan hydropower plants." The implementation of the Project is entrusted to the Ministry of Electricity of the Kurdistan Regional Government (MOE). The closing date for the Project is September 2012.

1.2 In June 2007, the Bank’s Integrity Vice Presidency (INT) received an anonymous complaint alleging corruption in certain Bank procurements in Asia. Company A, a U.S. management consulting firm, 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. INT then sought to review other Bank-financed tenders in which Company A competed. The tender underlying this matter was amongst those tenders.

1.3 In March 2008, the MOE published a Request for Expressions of Interest (REOI) for a contract for “External Auditor Services” (the Contract) to eligible auditors to indicate their interest in providing auditing services under the Project. In April 2008, Company A submitted its Expression of Interest (EOI) for the Contract (Company A’s EOI). Also in April 2008, the MOE sent its shortlist of three consultants, including Company A, to the Bank for its “No Objection.” In May 2008, the Bank, in light of INT’s earlier findings, recommended to the MOE that Company A be excluded from the shortlist. The MOE followed the Bank’s recommendation and excluded Company A from the shortlist.

2. **Methodology**

2.1 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 representative.

3. **Findings**

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

3.2 The REOI for the Contract specifically required interested auditors to provide information indicating their qualifications to perform the requested services, including descriptions of similar assignments and similar past experience. In response, Company A provided in its EOI for the Contract 14 references to Bank-financed contracts, in addition to other references.
3.4 INT found that all 14 references were false or misleading. In particular, Company A’s EOI for the Contract included:

- **12 Contract References that Falsely Adopted the Experience of Another Entity.** In an interview with INT, a representative admitted that Company A did not win or execute 12 Bank-financed contracts referenced in Company A’s EOI for the Contract.

- **Two Contract References with Inflated Values.** INT found that Company A inflated the value of two Bank-financed contracts, which it had won and executed, in its EOI by an average of 63%. In an interview with INT, a representative admitted that the “value of services,” as represented in the references, was incorrect. These contracts were referenced to in Company A’s EOI for the Contract.

4. Conclusion

4.1 Upon conclusion of its investigation, INT initiated sanctions proceeding against Company A for the misrepresentations made by Company A in its EOI in this case as well as other misrepresentations committed by Company A under Bank-financed projects in other countries. In 2010, Company A and the Company’s Chairman and Executive Officer were subsequently debarred from receiving Bank-financed contracts until March 2018.