

Dominican Republic

Global Distance Learning Network Project

REDACTED REPORT

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Executive Summary

This Report provides the findings of a World Bank (Bank) Integrity Vice Presidency (INT) administrative fact-finding inquiry (the investigation) into allegations of fraud and corruption in the award of contracts under the Global Distance Learning Network Project (GDLNP) in the Dominican Republic. INT started this investigation after it received the conclusions of an audit report that alleged possible manipulation in the award of contracts, including overpricing, poor execution, and payments for services never provided.

INT's investigation found:

- evidence indicating that, after he was selected to receive four Bank-financed contracts, an individual consultant subcontracted four Bank-financed contracts to a relative of the consultant without first informing GDLNP officials, in violation of his contractual obligations;
- conflicting evidence regarding whether the Bank's rules for hiring consultants were violated; and
- that several assertions contained in the audit report were unsubstantiated.

INT found no evidence to support the allegations of fraud and corruption in the award of contracts.

Background

The Government of the Dominican Republic, in collaboration with the World Bank (Bank), established a distance learning center in Santo Domingo to provide training for middle- and top-level managers in public and private sector organizations in the Dominican Republic through participation in a global distance learning network. The learning center was created under the Global Distance Learning Network Project (GDLNP or the project), which was financed by a US\$3.43 million World Bank loan that became effective on July 6, 2001, and closed on November 30, 2005.

In June 2005, the Integrity Vice Presidency (INT) received information related to a report of an audit of the GDLNP that contained several allegations of possible manipulation in the award of contracts, including overpricing, poor execution, and payments for services never provided.

INT conducted an administrative fact-finding inquiry (the investigation) into the audit report's conclusions regarding contracts awarded to a large IT services provider and four other individual consultants. Among other things, the audit report concluded that the IT services provider and the four individual consultants had not executed their respective contracts, but were nonetheless paid.

Methodology

The INT investigation into the audit report's conclusions consisted of a review of documentation related to consultant services contracts, interviews with current and former project officials involved in the GDLNP, and interviews with consultants who were retained to develop various software applications and related products for the GDLNP.

Findings

1. Evidence indicates that an individual consultant subcontracted four of the five contracts that he was awarded without first informing project officials in writing that he would do so, as required by his contract and the applicable Consultant Guidelines.

In an interview with INT, one of the individual consultants hired by the GDLNP, Consultant A, admitted that he had subcontracted four of the five World Bank-financed contracts he had been awarded to a relative, Consultant B, without the prior written consent of project officials that was required by his consultancy agreement and the Bank's *Guidelines: Selection and Employment of Consultants, January 1997, Revised September 1997, January 1999, and May 2002* (the May 2002 *Consultant Guidelines*). Consultant A was awarded five contracts, totaling US\$60,000, four of which were for programming computer applications. Consultant A said that, originally, he had thought of doing the work together with Consultant B, but in the end, Consultant A was not interested in the contracts related to programming and Consultant B did the work himself.

Consultant A also admitted that he knew very little about the subject matter of the contracts, and that all payments related to the five contracts were deposited in his bank account in the United States. Once the money was in his account, he withdrew it and transferred it to Consultant B, whom he admitted was his relative and whom he sought to help through the subcontracts. However, there also is evidence indicating that Consultant B was better qualified to execute the four contracts than Consultant A. Consultant A was a designer, and the contracts were better suited for a software programmer, which was Consultant B's expertise. Consultant A further stated that he assumed that project officials were aware of the subcontracting, although INT did not find any evidence indicating that any project officials knew about this arrangement.

2. There is conflicting evidence regarding whether project officials followed the Bank’s rules for hiring consultants.

Witness statements conflicted regarding whether project officials broke the Bank’s rules when hiring certain individual consultants. In separate interviews with INT, three senior project officials stated that the four individual consultants were directly hired by one senior project official (“the hiring official”), in contravention of the May 2002 *Consultant Guidelines*. However, in his interview with INT, the hiring official denied these allegations and said that he made contract award decisions together with other senior project officials by jointly selecting the best shortlisted candidate.

3. Evidence indicates that several allegations raised by the audit report may be unsubstantiated.

The audit report stated that several contracted-for products were paid for two or three times or could be found on the internet for free. The audit report also stated that the IT services provider and the four individual consultants failed to deliver their products. However, INT obtained copies of most products from the individual consultants and found evidence indicating that, although the relevant products were not installed on the project’s servers at the time of the audit, these products previously had been installed and later deleted. Further, an INT staff member, who worked for the project at the time, told INT investigators that, for unknown reasons, project servers lost information and software, including the products that the individual consultants submitted. This evidence indicates that the audit report’s allegations were unsubstantiated.