



The World Bank Group
Integrity Vice Presidency

People's Republic of Bangladesh

Post Literacy and Continuing Education for
Human Development Project

REDACTED REPORT

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Executive Summary

The Bangladesh Post Literacy and Continuing Education for Human Development Project (PLCEHD or the Project) was designed to provide Non-Formal Education (NFE) through village-based Continuing Education Centers, particularly in the rural parts of Bangladesh. The Project was financed by an International Development Association credit and a grant from the Swiss Government. The Project selected non-governmental organizations (NGOs) from a pool of applicants to carry out its various NFE components. These NGOs' contracts were financed by World Bank, not Swiss Government, funds.

The World Bank received complaints alleging corrupt and fraudulent practices in the PLCEHD's NGO selection process and hired an independent auditor to review the allegations. Among other things, the auditor surveyed a sample of the NGOs that had been selected to participate in the final phases of the PLCEHD to verify the existence of these NGOs and their qualifications. The auditor found that 64% of the sampled NGOs did not meet the Project's required selection criteria. Using the auditor's report as a starting point, the World Bank's Integrity Vice Presidency (INT) then conducted its own administrative inquiry (the investigation) into allegations that: (i) Project officials demanded and received bribes to favor certain NGOs in the selection process; (ii) NGOs submitted falsified certificates to satisfy the tender requirement that they have NFE experience; and (iii) the independent auditor demanded facilitation payments from certain NGOs to clear them of wrongdoing in its review.

As part of its investigation, INT interviewed the independent auditor, NGO representatives, Project officials, and representatives from organizations that had purportedly issued NFE experience certificates to the NGO applicants. INT also reviewed available documentation related to the PLCEHD's NGO selection process.

INT's investigation found:

- Evidence indicating that five NGOs made corrupt payments to government officials through intermediaries in order to receive favorable treatment in the NGO selection process and other benefits; and
- Evidence indicating that twenty-five NGOs that received contracts under the Project had submitted fraudulent NFE experience certificates with their bid submissions.

INT found no evidence to support the allegation that the independent auditor demanded payments from NGOs.

Background

The Bangladesh Post Literacy and Continuing Education for Human Development Project (PLCEHD or the Project) sought to provide Non-Formal Education (NFE) through village-based continuing education centers, particularly in the rural parts of Bangladesh. The PLCEHD operated over a six-year period and closed on December 31, 2007. The Project was financed by a US\$53.3 million International Development Association Credit and a World Bank-administered US\$7 million grant from the Swiss Agency for Development and Cooperation (SDC). According to World Bank records, SDC funds did not finance the contracts discussed in this Report.

The PLCEHD's goal was to help newly literate people apply their skills by providing post-literacy continuing education. As part of the Project, non-governmental organizations (NGOs) were contracted to help learners improve basic literacy skills; motivate learners to apply their skills at individual, family, and group levels; and improve the living conditions and occupations of the newly literate.

In order to qualify for a Project contract, an NGO had to demonstrate that it met a number of criteria, including that:

- a. It had an established premises with a postal address in the locality of the NGO's work or in Dhaka, the capital of Bangladesh;
- b. It had two years of NFE experience and trained managerial and technical NFE personnel;
- c. It had a constitution and a managing body with defined rules and responsibilities;
- d. It could bear part of the overhead cost, as indicated by a bank certificate representing the financial capacity to do so; and
- e. It had experience in programs for women and children.

Between October 2004 and July 2006, the World Bank's (Bank's) Integrity Vice Presidency (INT) received three complaints alleging fraud and corruption in the Project's NGO selection process:

- a. An anonymous complaint, purportedly signed "on behalf of NGOs in Bangladesh," alleged that Government of Bangladesh (GoB) officials accepted between approximately Bangladesh Taka (BDT) 150,000 (US\$2,500) and BDT 200,000 (US\$3,400) to favor certain NGOs in the selection process;¹
- b. A second complaint, submitted by five unidentified persons, alleged that a GoB official selected incompetent and inexperienced NGOs; and
- c. A third complaint, submitted by three Upazila (district) program officers, alleged that a GoB official accepted bribes from NGOs.

During its investigation, INT also received allegations that:

- a. An independent auditor hired by the Bank to review the selection of certain Project NGOs had demanded payments from some of these NGOs to clear them of wrongdoing;
- b. Some NGOs had submitted false certificates to satisfy the tenders' NFE experience requirements; and

¹ The U.S. Dollar values provided throughout this report are stated for ease of reference only and are calculated using an exchange rate of US\$1 = BDT 59, which is the average exchange rate over the time period relevant to the investigation, and then rounded.

- c. GoB officials had demanded and received bribes from certain NGOs to receive payment approval for their Statements of Expenses.

Methodology

INT's administrative inquiry (the investigation) followed a review conducted by an independent auditor tasked with examining aspects of the three initial allegations received by the Bank. Using the audit report as a starting point, INT then conducted its own investigation into these allegations and the others received during the course of the investigation.

1. The Bank's Review of Initial GoB NGO Selections

After receiving the three initial fraud and corruption complaints, the Bank hired an independent auditor to survey a 20% sample of the 470 NGOs that had been selected to participate in the final phases of the PLCEHD. The auditor sent personnel to the NGOs' offices to verify that each NGO existed at its given address, had functional telephone numbers and bank accounts, and had NFE experience prior to the Project's initiation. The auditor also interviewed GoB officials involved in the NGO selection process. The auditor found considerable irregularities, *i.e.*, that 27 of the 92 NGOs surveyed did not satisfy the selection criteria.

Based on these results, the Bank engaged the auditor to survey the remaining 80% of the selected NGOs using the same methodology. The auditor determined that 276 of the 378 remaining NGOs did not satisfy the selection criteria. Overall, the auditor concluded that 64% (or 303) of the NGOs that had been selected for the final phases of the Project did not meet the required criteria.

The Bank reported these findings to the GoB, and the GoB appointed an independent panel to review whether the 303 NGOs were, in fact, noncompliant. This panel concluded that the auditor had incorrectly classified 161 of the NGOs as noncompliant. The Bank then assigned a consultant to evaluate the GoB's reclassification of the 161 NGOs. The consultant reviewed documentary evidence and determined that 101 of the 161 NGOs met the qualification criteria, but that the auditor had correctly deemed 60 of these NGOs noncompliant. In total, through this rigorous review process, 43% of the selected NGOs (202 out of 470) were found to be noncompliant with the qualification criteria and were not awarded Project contracts.

2. INT Investigation

INT conducted an on-site investigation into the findings of the auditor, the Bank consultant, and the other allegations detailed above. INT reviewed relevant documents and interviewed the auditor, several NGO representatives, and GoB officials. INT also visited five Bangladeshi NGOs to test the authenticity of the NFE experience certificates that these well-established NGOs purportedly had issued to smaller NGOs to permit them to claim the experience that they needed to participate in the PLCEHD.

Findings

1. **Evidence indicates that five NGOs made corrupt payments to GoB officials through intermediaries in order to receive contracts under the Project.** INT found evidence that NGOs had made corrupt payments to GoB officials through intermediaries. In several instances, representatives of different NGOs admitted that the NGOs that they worked for had made corrupt payments in order to receive contracts. Specifically, five NGOs admitted to INT that they made corrupt payments under the Project:

- a. **NGO A:** A representative of NGO A admitted to investigators that the NGO won a Project contract only after NGO A paid at least BDT 100,000 (US\$1,600) to an intermediary. The representative said that one of the intermediary's relatives had a close relationship with a GoB official. NGO A's representative told INT investigators that NGO A was informed that the payment would go to the GoB official through various intermediary channels.

NGO A's representative also stated that NGO A paid approximately BDT 50,000 (US\$850) to a GoB official when submitting a bid, and would have had to pay an additional BDT 50,000 if it was awarded the contract.

According to NGO A's representative, all NGOs had to make payments to receive contracts under the Project unless the NGO was well-connected politically to senior GoB officials. NGO A's representative claimed to know of another NGO that paid approximately BDT 200,000 (US\$3,400) to win a contract. Upon INT's request, the NGO A representative called a representative of this other NGO in the presence of INT but was unable to persuade the NGO to meet with INT because it feared retribution.

- b. **NGO B:** A representative of NGO B admitted to INT investigators that, even though NGO B had many years of valid NFE experience, it still had to pay over BDT 20,000 (US\$350) in order to win a contract. The NGO B representative told INT investigators that NGO B made the payment through an intermediary and was told that the payment was intended for a GoB official.
- c. **NGO C:** A representative of NGO C admitted to INT investigators that NGO C won a contract only after it paid at least BDT 100,000 (US\$1,600) to an intermediary who channeled the payment to a GoB official. NGO C's representative stated that, when submitting a bid for another Project contract, NGO C paid at least BDT 500,000 (US\$8,500) to an intermediary who channeled the payment to a GoB official.
- d. **NGO D:** A representative of NGO D admitted to investigators that NGO D paid a bribe of at least BDT 100,000 (US\$1,600) through an intermediary to GoB officials in order to be selected for Project contracts.
- e. **NGO E:** A representative of NGO E admitted to INT investigators that NGO E paid a bribe of at least BDT 100,000 (US\$1,600) to GoB officials through an intermediary in order to be selected for Project contracts.

In addition, INT obtained the following evidence regarding corrupt payments under the PLCEHD:

- f. **NGOs F and G:** INT jointly interviewed representatives of NGOs F and G. A representative of NGO F informed INT that a GoB Project official told NGO F that no NGO, no matter how experienced, could win a contract without a minimum payment of BDT 100,000 (US\$1,600). NGO F's representative told INT that another GoB official said that officials had to "make money" before contracts would be awarded.

NGO G's representative told INT that two other NGOs did not have NFE experience but nonetheless won contracts by paying bribes to GoB officials: one NGO paid a total of approximately BDT 200,000 (US\$3,400), while the other paid a total of approximately BDT 600,000 (US\$10,000). NGO F's representative added that these two NGOs had made the payments to a number of GoB officials.

g. **Statements of Expenses (SOEs):** NGOs A, F, and G also informed INT that they had to make payments of between BDT 5,000 (US\$85) and 10,000 (US\$170) to local GoB officials in order to receive payment approval for their SOEs. The independent auditor reported that NGOs made similar claims during the audit.

2. Evidence indicates that numerous NGOs attempted to use fraudulent NFE experience certificates to win contracts. INT found evidence indicating that 61 NGOs had submitted fraudulent NFE experience certificates in their bid submissions. These 61 NGOs submitted NFE experience certificates, purportedly issued by five established Bangladesh NGOs, stating that they had performed NFE work for one or more of the five established NGOs. INT contacted each of the five established NGOs separately and asked each NGO to confirm the authenticity of certain randomly-selected NFE experience certificates that it purportedly had issued. In total, INT presented 70 NFE experience certificates to the five established NGOs. Collectively, the five established NGOs informed INT that the certificates submitted by at least 61 of the NGOs bidding for contracts under the Project had been falsified, and that these 61 NGOs had never done NFE work for them.

Of the 61 NGOs that submitted fraudulent NFE experience certificates, 36 never received PLCEHD contracts because they were not approved during the Bank's NGO selection review. However, the remaining 25 NGOs were awarded contracts under the Project. INT requested each of these 25 NGOs to show cause why it should not be sanctioned; these show cause notices described INT's findings of fraud and provided each of the 25 NGOs with an opportunity to respond with exculpatory evidence, cooperate with INT's investigation, or provide other mitigating information.

Six NGOs replied to INT's show cause notice by admitting that they had submitted falsified NFE experience certificates. Seven other NGOs replied to INT's show cause notice by denying INT's stated findings, but INT found their explanations and denials inconsistent with the available evidence. The remaining twelve NGOs never responded to INT's show cause notices, though INT confirmed that these notices were delivered to the NGOs.

3. INT found no evidence supporting the allegations made against the independent auditor. No interview with NGO personnel produced any claim that the auditor had demanded or accepted corrupt payments.