

**THE WORLD BANK
DECLARES MISPROCUREMENT IN AN EDUCATION PROJECT:
THE WORLD BANK AND GOI TO AGREE ON A FOLLOW-UP ACTION PLAN**

Jakarta, October 28, 2003 - The World Bank recently conducted an extensive investigation into allegations of wrongdoing in a World Bank financed education project in Indonesia, the Book and Reading Development Project (BRDP). After a detailed investigation, the World Bank has concluded that there is compelling evidence that wrongdoing had occurred while contractually agreed procurement procedures were not adhered to. As the result, the World Bank has declared misprocurement on a component of the project. The World Bank and the Government of Indonesia are currently discussing the follow-up actions to avoid recurrent cases in the future.

The Ministry of Education and Culture (now Ministry of National Education) of the Government of Indonesia launched the BRDP in 1995. The objective of the project was to improve the quality of basic education through the supply of textbooks to primary and junior secondary schools. The loan closed in December 2001. The original loan amount was \$132.5 million equivalent. A total of \$36.5 million was cancelled in 1998 and 1999 to reduce debt during the financial crisis. It was further reduced by \$40.7 million in 2001 due to concerns about procurement practices. In total, approximately \$44.2 million was disbursed for textbooks in three rounds of procurement.

The World Bank's investigation found compelling evidence that the competitive bidding process contractually agreed to be followed was subverted throughout the life of the project in relation to the tendering for textbooks. The Bank's findings have resulted in the Bank declaring misprocurement in approximately \$30.6 million in publishing contracts. The Government of Indonesia and the World Bank are currently discussing a follow-up Action Plan, which consist of Government undertakings to:

- Carry out a high level review of the allegations investigated by the World Bank within an agreed timeframe by a credible and independent audit agency;
- Take appropriate and effective action against those implicated in illegal practices and make every effort to recover the kickbacks;
- Debar firms that participated in the collusive arrangements;
- Adopt a new national policy to address all aspects of textbook production and distribution that ensures an adequate and equitable distribution of quality texts across Indonesia at a reasonable cost to the Government;
- Work with the donor partnership in education to reduce the opportunities for and incidences of corruption in education programs at all levels.