

PADMA BRIDGE CORRUPTION

Same WB report led to arrests in Canada

The Daily Star sent a set of questions to **Ellen Goldstein**, the World Bank Country Director in Bangladesh and Nepal, a few days back on the Padma Bridge loan cancellation to which she emailed the following answers.



DS: The WB has been saying it has credible evidence of corruption intention, but it has so far not made clear to the public what is the evidence. In the meantime, the government has released its own correspondence with the Bank, and has been repeatedly saying that there was no proof of corruption and no corruption has actually taken place. Would you please tell us what proof the bank has of intended corruption? This is important since the government has revealed its own documents. It is time for the Bank to reveal its documents and letters. Will you tell us the grounds for the corruption allegation by revealing these documents?

Ellen: The World Bank presented evidence of corruption under the Padma Bridge Project to the Government of Bangladesh in September 2011 and April 2012. The World Bank has an obligation to each member government including the Government of Bangladesh to maintain these referral reports confidential. However, the Government of Bangladesh may disclose these reports and related correspondence if it so chooses. You may wish to ask them to do so, in the interest of public transparency.

DS: The Bank has submitted its own investigation report to the government which has not come to light yet. Would you tell us in concrete terms what are the findings of the investigation?

Ellen: The referral reports provided to Government are meant to stimulate a robust investigation of credible evidence of corruption by appropriate national entities. The World Bank's independent Integrity Vice Presidency looks into corruption allegations to determine whether the Bank's anti-corruption guidelines have been violated and whether sufficient credible evidence exists to warrant investigation by national authorities. The World Bank itself does not conduct criminal investigations or make any determination on appropriate follow-up. This is a matter for Bangladeshi authorities strictly according to Bangladeshi laws.

The Integrity Vice Presidency looked into corruption allegations under the Padma Bridge project and found sufficient credible evidence to warrant national investigation. We presented the same evidence to the Canadian authorities who found it sufficiently credible to launch their own investigation. This has now led to arrests of high-ranking private executives in Canada on charges related to the Padma Bridge. This alone should be sufficient to convince the Bangladeshi authorities of the need to conduct their own full and fair investigation.

DS: The Bank has mentioned that some individuals were also involved in the alleged graft. Who are those individuals and what kind of involvement did they have?

Ellen: The latest referral report found evidence of a conspiracy to engage in corruption that involved public officials in Bangladesh. I cannot disclose individual names, but two things are clear: a full and fair investigation is needed to bring any wrongdoing to light, and public officials should be excluded from positions of public trust until the investigation is completed. This is global good practice in the conduct of corruption investigations, and is entirely consistent with Bangladeshi laws and practices. This is all that the World Bank has asked of the Government: to conduct a full and fair investigation in accordance with the laws of Bangladesh, leading to prosecution of wrongdoers only if warranted.

DS: Since when did INT start its investigation?

Ellen: A large and consistent number of corruption allegations were received by the World Bank even before approval of the \$1.2 billion zero-interest loan in

February 2011. These were turned over to our Integrity Vice Presidency for inquiry. They produced a first referral report in September 2011 related to the pre-qualification for the main bridge contract and a second referral report in April 2012 related to the construction supervision consultancy.

DS: The finance minister has alleged that two INT officials came to Dhaka for probe and later one official named Howard Dean brought allegations about a 'respectable person'. Later when a businessman challenged Dean about the authenticity of the allegation, the INT official had taken back his allegation and apologized. Why such allegations based on hearsay was made? What step has the Bank taken against this INT official?

Ellen: The Finance Minister has also recounted this story to me, but it is pure hearsay. I have no further information and cannot confirm its veracity.

DS: There are allegations that the Bank had pushed for a certain Chinese firm to be selected. The WB had been repeatedly pushing Bangladesh to China Railway Construction Corporation (CRCC) to incorporate it in the bridge tender although it was disqualified twice? This company was later found not to have applied for reconsideration for tender. Why was the WB bent on incorporating this company which delayed the project by three months, as the finance minister has pointed out? Does it not raise questions about the bank's neutrality?

Ellen: The World Bank does not favor certain firms over others. When we oversee a Bank-funded procurement process, it is Government's responsibility to provide justification on the selection of firms which are qualified to compete and those which are not. For a "billion-dollar-plus" contract such as the Padma Bridge, it is particularly important to provide clear and strong justification on why each firm is qualified to bid or lacks the necessary qualifications. In this particular case, the Bridge Authority excluded the China Railway Construction Corporation from the pre-qualification list without providing adequate justification. The World Bank then requested the Bridge Authority to seek clarifications and provide additional justification for exclusion. When this was eventually provided, the World Bank agreed with the decision of the Government to exclude the firm. The World Bank and the Government had no disagreement on this point, and the World Bank remained impartial throughout.

DS: The WB also unusually delayed various clearances related to the tender between late 2010 and July 2011. Why such delay?

Ellen: The question is too general to permit a specific response. However, it is important to note that public procure-

ment processes in Bangladesh often take an unusually long time, and the reasons are two-fold. First, Government sometimes presents documents which are incomplete or inadequate, requiring repeated iterations to produce documents that meet minimum acceptable standards. Second, many public procurement processes are plagued by outside interference and/or corrupt and collusive practices, leading to lengthy rebidding processes. Contracting which could take as little as six to eight months may instead take two to three years, which is frustrating for both development partners and the general public.

With respect to Padma Bridge, Government rushed to submit bidding documents which were not up to the standards of the co-financiers, requiring repeated and lengthy iterations before producing adequate documents. This is unfortunate, but I am encouraged by champions within Government who are determined to improve the efficiency and transparency of public procurement by introducing a procurement management

public official in Bangladesh. These are purely Bangladeshi decisions.

In April, we suggested a number of measures to strengthen the integrity of the investigative process. This included temporarily excluding from public service those public officials both civil servants and political appointees--alleged to have engaged in corrupt behavior, for the duration of the investigation. This is global good practice for corruption investigations in order to protect public interests. Unfortunately, this is one of several measures to which Government was not able to commit, contributing to our decision to cancel the loan.

DS: The last correspondence by the government indicates that ultimately it was the government's refusal to remove the minister in charge from cabinet that led to WB's cancellation. Was it the biggest reason?

Ellen: The World Bank suggested that Government adopt four measures, but Government was unable to commit to two of the

the matter to the next president especially when the loan effectuation date was still away?

Ellen: Perhaps the question is not why the World Bank didn't wait longer to cancel the loan, but rather why the World Bank waited so long? The World Bank was in discussion with Government for nearly a year, seeking a serious commitment to address evidence of corruption under the project. Unfortunately, Government took no such action for nearly nine months, leading many to call for the early cancellation of the loan.

Given the tremendous economic and social benefits of the bridge for the people of Bangladesh, the World Bank was not willing to let it go without a struggle to save the project. The World Bank mounted an urgent mission to Dhaka to find a way forward in late June. After days of discussions with Bangladeshi authorities, the mission members were forced to conclude that commitment was lacking for two of the four measures proposed. On this basis, World Bank

carried out while the probe was going on side by side?

Ellen: The Honorable Finance Minister is correct that we have taken action whenever we find evidence of corruption in World Bank financed activities. For example, the World Bank cancelled the \$35 million fund of the 2004 Flood Assistance Recovery Program after two years due to evidence of corruption in procurement processes. Likewise, the World Bank halted preparation of a proposed operation for roads and highways in 2009 due to pervasive corruption in the road sector, and we have avoided investments in this sector since.

In some cases, the World Bank has carried out partial cancellations, declared mis-procurement and requested Government to reimburse World Bank funding. The critical factor in determining remedial action is the seriousness of Government's response to the evidence of corruption. We have a range of remedies to safeguard the resources of the World Bank, and we have an obligation to our shareholders and donors to do so.

In the case of the Padma Bridge Project, Government was provided with evidence of corruption before the loan became effective and funds were disbursed. When Government was repeatedly unable to commit to a robust response to investigating corruption, the decision was taken to safeguard our resources by canceling the zero-interest loan.

DS: ACC has said the Bank refused to assist it with information on the alleged corruption. Why did the Bank not provide further information?

Ellen: The World Bank provided all its evidence to the ACC. It is again important to understand that the World Bank does not conduct criminal investigations. We provide only sufficient evidence to suggest to national authorities the need to launch their own robust investigation. The ACC then needs to conduct a full and fair investigation of their own, collaborating closely with others, like the Canadian authorities, who would be in a position to provide more evidence. The World Bank was willing to provide technical advice to the ACC to strengthen its capacity to conduct such investigations to global standards of good practice.

DS: The finance minister has said the mere mentioning of a few names in a diary of Lavalin officials is not good enough ground for corruption. Then why did the Bank consider these names so gravely?

Ellen: Evidence from any one source has been corroborated through multiple sources. If the evidence is as innocuous as claimed, then Government should not hesitate to publicly release it.

DS: Do you think the loan cancellation will have any impact on future Bank programs in Bangladesh?

Ellen: The decision about the Padma Bridge loan does not have a direct impact on the World Bank's broader program of support for Bangladesh. However, Government's weak response to evidence of corruption in a flagship operation adds to mounting concerns about a deteriorating governance environment in Bangladesh, and this will be reflected in our program going forward.

The Padma Bridge operation was only about 20 percent of the World Bank lending portfolio in Bangladesh. The other 80 percent consists of more than 30 operations with IDA and trust fund commitments of around \$4.4 billion. The World Bank takes great pride in having contributed significantly to faster growth, improved social welfare and declining poverty in Bangladesh in recent decades. Our financial and technical support have contributed to the liberalization of export markets to maximize job creation in the garment sector, to stipends to ensure that poor households send their daughters to secondary school, to the introduction of solar energy systems in rural villages to transform lives and livelihoods in the remotest corners of Bangladesh. These are just a few examples of the results that we have been able to achieve working together for the good of the Bangladeshi people.

Going forward, the World Bank will reduce our exposure in areas at high risk of fraud and corruption. We will focus new lending on three broad areas: provision of human services, addressing climate change and strengthening governance and accountability. We will work with partners and institutions that have a track record of good governance and avoid areas where fiduciary risks are excessive. We will further strengthen our own fiduciary safeguards against fraud and corruption.

Perhaps most importantly, we will continue to promote long-term improvements in governance through strengthening of country systems for public procurement, public financial management, parliamentary oversight and local government development. We will also implement a "Sunshine Strategy" based on access to information, transparency and citizens' participation in monitoring implementation and progress toward development results. In the end, citizens' will play the biggest role in ensuring accountability of government and proper use of public resources, whether from the World Bank or domestic sources.

DS: Is there any scope to review the loan cancellation decision? If the answer is yes, what steps would the government have to take?

Ellen: The World Bank has a few precedents in its history of reinstating a cancelled loan in other countries, so it is technically possible.

I see little scope to revisit the decision in this instance, as it was taken after extensive discussions with Government about the response to evidence of corruption under the Padma Bridge Project. Government was unable to commit to two measures deemed important in the conduct of a full and fair investigation into evidence of corruption.

This is an unfortunate outcome, as the bridge has the potential to accelerate growth and transform lives in Southwest Bangladesh and across the nation. It is sad for the people of Bangladesh, who have continually surprised the world with their courageous battle for independence and their success in reducing poverty and improving living standards under daunting circumstances. The World Bank has been a strong partner in supporting Bangladesh in these efforts, and we remain committed to helping Bangladeshis rise out of poverty and achieve their dream of a prosperous and empowered nation, built on a foundation of good governance.

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information system and electronic procurement to enhance security, confidentiality and competitiveness.

DS: What was the initial proposal of the WB, after the suspension of the loan last year, to resume the loan?

Ellen: We consider it Government's responsibility to propose to us an adequate response to evidence of corruption under the Project. We have always sought just one thing: a serious commitment by the Government to do a full and fair investigation with appropriate follow-up if warranted, in accordance with the laws of Bangladesh. This is in the best interest of the Bangladeshi people, who hold government accountable for the use of public resources.

DS: From the government's correspondences, we see that after the WB suspended the loan last year, the WB's biggest demand was removal of the minister and two officials. The government changed portfolio of the minister and transferred the two officials. Why did it not satisfy the WB?

Ellen: This is not an accurate interpretation of our correspondence with Government. The World Bank does not demand the removal of any

four. First, the Anti-Corruption Commission (ACC) was asked to form a special joint investigative and prosecutorial team to work together on the investigation and follow-up. The ACC agreed with this proposal. Second, Government accepted an alternative project implementation arrangement which gave co-financiers greater oversight over procurement processes. Third, the ACC was asked to provide information to an external panel under World Bank auspices, allowing the panel to assess the adequacy of the investigative process. Ultimately the ACC would not accept any formal relationship with the external panel to share information. Finally, Government was unwilling to exclude public officials from public service for the duration of the investigation although Bangladeshi law permits this. Unable to reach agreement on two of the four measures during a last mission to find a way forward in June, the World Bank was left with no option other than to cancel our support for the Bridge.

DS: The government thinks the cancellation was spearheaded by the former WB chief, for his personal opinion against the government. What is your view? Why did he cancel it on the last day of his office? Why did he not leave

Management Team reluctantly took the decision to cancel the loan.

As Government had indicated no further scope for discussion of the proposed measures, it was logical to proceed with cancellation of the loan immediately. It was a unanimous decision of the World Bank Management Team, not an individual decision, and it was motivated by a lack of commitment on the part of Government to seriously address corruption. This was a sad outcome for the people of Bangladesh and for the World Bank, particularly given our long-standing and productive partnership dating back to the birth of the nation.

The silver lining in this dark cloud is that cancellation will allow Government and the World Bank to turn over a new page and focus on the rest of the World Bank's successful program of support for Bangladesh's development. The World Bank remains firmly committed to reducing poverty and supporting the aspirations of the Bangladeshi people.

DS: The finance minister has alleged that in the past the Bank had also found corruption in some projects. But implementation of these projects was never shut down. So why couldn't implementation of the bridge be