



Any reply or subsequent reference to this communication should be addressed to the Contractor-General and the following reference quoted:-

No. :

TELEPHONE No.:876-929-8560/6466

FAX No. : 876-929-2476

E-mail: communications@ocg.gov.jm

OFFICE OF THE CONTRACTOR-GENERAL

PIOJ Building

16 Oxford Road

P.O. BOX 540

KINGSTON 5

JAMAICA, W.I

MEDIA RELEASE

**OCG Raises Fresh Concerns Amidst Discovery that China Harbour
has been Debarred by World Bank under its Fraud and Corruption Sanctioning Policy**

Kingston; June 4, 2012 – The Office of the Contractor General (OCG) is, today, raising fresh concerns about Government’s current and prospective business dealings with the China Harbour Engineering Company (CHEC), amidst the OCG’s discovery that CHEC’s parent company, China Communications Construction Company (CCCC) and, by extension, CHEC, have been debarred, since January 2009, by the World Bank, under the Bank’s ‘Fraud and Corruption Sanctioning Policy’.

Under the terms of the debarment, CCCC and “any firm (that is) directly or indirectly controlled by CCCC”, have been declared ineligible to be awarded any World Bank financed contracts that are related to “roads and bridges”, during the period January 12, 2009 to January 12, 2017.*

As CHEC is a major subsidiary of CCCC, and one of the two entities that is currently listed by CCCC as its “overseas business”, the debarment automatically extends to CHEC.**

The World Bank Group has identified corruption as one of the single greatest obstacles to economic and social development in its member countries, inclusive of Jamaica. One way in which the Bank has been combating corruption and fraud in public sector contracting is to prohibit its member countries from awarding World Bank financed contracts to any of the firms or individuals that the Bank has sanctioned under its Fraud and Corruption Policy.

Since 1999, more than 330 firms and individuals have been sanctioned and debarred by the Bank for engaging in fraud and corruption on World Bank financed projects.

The World Bank’s Fraud and Corruption Sanctioning and Debarment Policy is reinforced and extended in its application by certain cross-debarment provisos. These provisos have been made possible by an Agreement for Mutual Enforcement of Debarment Decisions which became effective, in July 2011, between the World Bank, the Asian Development Bank, the European Bank for Reconstruction and Development, and the Inter-American Development Bank.

The new information that has come to light about CHEC’s parent company and, by extension, CHEC, should be viewed against the background of the many controversies which, to date, have surrounded the Government of Jamaica’s business dealings with the company.



In August 2009, CHEC was awarded a US\$400 million contract, on a sole-source basis, by the Government, to execute its Jamaica Development Infrastructure Programme (JDIP). The loan agreement between the China Exim Bank, which financed \$340 million of the contract sum, and the Government, was signed in February 2010. Both agreements were, therefore, executed several months after CHEC had been debarred by the World Bank.

The circumstances which surrounded the JDIP sole-source contract award to CHEC are currently the subject of a Special OCG Investigation. The Investigation was commenced in July 2011, after a thorough OCG examination of the JDIP loan agreements, and a sworn statement to the OCG from the Portfolio Permanent Secretary, failed to corroborate public statements that had been made by the then Transport and Works Portfolio Minister, Mike Henry, that it was the China Exim Bank that had imposed the selection of CHEC upon the Jamaican Government.

Of no less importance, in light of the information that has now emerged, is the fact that the Government of Jamaica, itself, has since seen it fit to engage a foreign contractor, at significant cost to the Jamaican Taxpayer, to undertake a Forensic Audit into the JDIP contract, the primary objective of which is to “determine whether there was any fraudulent transaction or acts of fraud”.

More recently, the Government has signaled its intention to give favourable consideration to a US\$600 million Unsolicited Proposal that was submitted to it by CHEC to design, finance (with the assistance of the China Exim Bank), construct and operate the North/South Link of Highway 2000, in return for a 50 year Toll Road Concession, over the Highway, from which the Government says that CHEC will recoup its investment.

After the OCG had raised concerns about the Administration’s refusal to subject the Toll Road Concession Opportunity to an open and transparent competitive tender process, in keeping with International Procurement Best Practices, the Portfolio Minister, Dr. Omar Davies, responded by stating that he would not allow the OCG to be a stumbling block to Jamaica’s development.

The Minister then established his own three (3) man civilian oversight committee, to oversee the project and to report directly to him, after having assigned to it terms of reference which, in part, have overlapped the Statutory Mandates of the OCG, which is an Independent Anti-Corruption Commission of Parliament having the powers of a Judge of the Supreme Court of Jamaica.

It is worthy of note that the Minister’s actions also followed the reported refusal of CHEC to participate in any open tender exercise as regards the North/South Link project.

From all indications, the unfortunate postures which have been widely broadcast by the Portfolio Minister may have already hurt Jamaica’s image significantly. They appear to have sent the wrong signals to the foreign private investing community, as well as to Jamaica’s bilateral and multilateral partners, all of which would have been anxious to see unequivocal and positive signs emanating from the Government that Jamaica is serious about (a) establishing and openly supporting international best



practices in governance, procurement and Government contracting, and (b) ridding itself of the debilitating stigma which has long classified it in the global community of nations as one of the most corrupt countries in the world.

In commenting upon the developments regarding the World Bank's debarment of CHEC, the Contractor General, Greg Christie, has raised the issue as to whether the Government, in its due diligence exercises, if any, had identified CHEC's debarred status and, if so, what decisions were taken by it about the matter. The Contractor General also made the following observations:

"Now that it is known that the World Bank, in the judicious application of its anti-fraud and anti-corruption policies in public contracting, has had cause to sanction and to debar CCCC and CHEC from receiving World Bank financed contracts, the obvious question that now arises is whether this is something that the Government, as a matter of good, prudent and diligent business practice, intends to be guided by in the award of its own contracts that are financed from non-World Bank sources".

"The OCG, in keeping with its mandates under the law, has always been of the view that Jamaica's economic development must be pursued in a sustainable and responsible manner, and within an appropriate system of institutionalized independent checks and balances which will ensure probity, transparency, accountability and value for money in all Government commercial transactions".

"The OCG believes that these ideals should never be sacrificed for the country's short term gains, for it is a trite principle that, in the medium to long term, sustainable economic development and corruption are two poles that will never come together. In the final analysis, the end must never be allowed to justify the means", the Contractor General said.

*http://web.worldbank.org/external/default/main?pagePK=64148989&piPK=64148984&theSitePK=84266&theSitePK=84266&contentMDK=64069844&querycontentMDK=64069700&sup_name=CHINA%20COMMUNICATIONS&supp_country=

**<http://en.ccccltd.cn/aboutcompany/organizationalchart/>

**http://en.wikipedia.org/wiki/China_Communications_Construction

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Contact: The Communications Department, Office of the Contractor General of Jamaica
C/o Craig Beresford, Senior Director of Monitoring Operations, Corporate Communications and Special Projects
C/o Sashein Wright, Communications Officer, Special Assistant to the Contractor General and Special Investigator
E-mail: communications@ocg.gov.jm. Tel: 876-929-8560; Direct: 876-926-0034; Mobile: 876-564-1806; Mobile: 876-297-1378