

June 2021



China Watch

China Road and Bridge Corporation
in Georgia

Report **7**

ABOUT CIVIC IDEA

Civic Initiative for Democratic and Euro-Atlantic Choice – Civic IDEA is a non-governmental organization based in Georgia, covering global issues.

The mandate of the organization serves the realization of Democratic and Euro-Atlantic choice, institutionalizing it and bringing to every citizen.

Democratic and Euro-Atlantic choice means the formation of free and fair state based on equality, where citizens equipped with the rule of law feel safe and secure.

Civic IDEA has been actively monitoring China's growing influence in Georgia. This month, the latter has published the report "Who is in charge of the post-cold war world? Chinese influence operations in Academia, Media & CSOs: The case of Georgia", which evaluates the CCP's influence operations in Academia, Media and CSOs. Civic IDEA case study Georgia, however, the report is written with a comparative perspective of similar practices in other countries. Today, China's activities in Georgia do not pose a direct, visible and immediate threat, but the ignorance of respectable and authoritative organizations, security services of our partner countries, numerous EU studies, recommendations and decisions by the Georgian government is another clear example of the disruption of foreign policy incentives and a vague vision concerning Georgia's long-term success and the development.



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INTRODUCTION



中国路桥工程有限责任公司
CHINA ROAD & BRIDGE CORPORATION

Civic IDEA continues its reporting on scandalous Chinese companies, their controversial activities in Georgia and bringing experiences from around the world for Georgian audience. Currently, our attention is drawn to one of the largest Chinese state-owned companies since 1958, “China Road and Bridge Corporation”, which is represented and responsible for main infrastructural projects in Africa, Asia, Europe, and America. Starting from 2005, the CRBC has become the subsidiary of the **China Communications Construction Company Limited (CCCC)** after merging with the China Harbour Engineering Co. It is highly notable that both the company and its successor CCCC have been involved in disreputable business practices and are accordingly blacklisted by the World Bank. **The Integrity Vice Presidency (INT)**, responsible for investigating and sanctioning those companies involved in fraud and corruption in the WB financed projects, has officially debarred the China Road and Bridge Corporation in January 2009. The Investigator unit claimed that the latter “colluded with several other local and international companies on the bidding for the first phase of **the Philippine National Roads Improvement and Management Program (NRIMP 1)**,” of which we will later provide an in-depth review. The sanction lasted eight years and excluded the CRBC from all the WB-funded infrastructural projects until January 2017. In 2011, the World Bank announced **the debarment of the CRBC incomer CCCC** again for the fraudulent practices revealed in NRIMP 1 in the Philippines. Moreover, in 2020, the United States has also **unveiled export restrictions** against the Chinese state-owned companies, including the CCCC and its subsidiaries alleged of being involved in the activities in the South China Sea.

Unfortunately, the Philippines was not the only destination where the World Bank controverted the China Road and Bridge Corporation. It had to issue **the statement in 2015**, addressing the road development projects in Uganda and the CRBC participation in the bidding process. Based on the Integrity Vice Presidency (INT) investigation, the Government of Uganda that was in charge of all the procurement procedures contracted the CRBC over the Pakwach-Nebbi Road project financed by the World Bank. Because of the debarment imposed earlier, the Government of Uganda was asked to remove the CRBC from the bidders.

worldbank.org/en/news/press-release/2011/07/29/world-bank-applies-2009-debarment-to-... ☆

PRESS RELEASE

World Bank Applies 2009 Debarment to China Communications Construction Company Limited for Fraud in Philippines Roads Project

July 29, 2011

Washington, July 29, 2011—The World Bank today announced the debarment of China Communications Construction Company (CCCC) Limited, and all its subsidiaries, for fraudulent practices under Phase 1 of the Philippines National Roads Improvement and Management Project. Under the sanction, CCCC is ineligible to engage in any road and bridge projects financed by the World Bank Group until January 12, 2017. This action is based on recent changes in the World Bank sanctions system to clarify that successor organizations – through purchase or reorganization – will be subject to the same sanctions applied to the original firm.

CCCC is the designated successor entity to China Road and Bridge Corporation (CRBC) which, along with six other firms and one individual, was debarred by the World Bank for eight years, beginning January 12, 2009, following an investigation of the National Roads Improvement and Management Project by the World Bank's Integrity Vice Presidency (INT). No World Bank funds from the NRIMP project were disbursed to any of the sanctioned firms.

worldbank.org/en/country/uganda/brief/world-bank-statement-on-commission-of-inquiry-into-uganda-national-roads-authority ☆

World Bank Statement on Commission of Inquiry into Uganda National Roads Authority (UNRA)

October 22, 2015

KAMPALA, October 22, 2015—We welcome the work of the Commission of Inquiry into Uganda National Roads Authority (UNRA), particularly the commitment to ensure good governance and value for money in the roads sub-sector.

The World Bank Group (WBG) takes allegations of fraud and corruption very seriously. We have an Integrity Vice Presidency (INT) that investigates such allegations and helps ensure accountability. INT is already notified of the issues being raised in the Commission of Inquiry as they relate to Bank-financed projects and is taking the necessary action.

The WBG financed the Pakwach-Nebbi Road as part of Phase 1 of the [Roads Development Project](#), from July 2001 to June 2004. As with other projects that the Bank finances, all procurement, contracting and contract management is the responsibility of the recipient Government. Therefore, China Road and Bridge Corporation (CRBC) and Parkman Ltd were contracted and supervised by the Government of Uganda.

CRBC was debarred by the World Bank Group for eight years, beginning January 12, 2009, following an investigation by the INT into the National Roads Improvement and Management Project in the Philippines. Debarment renders firms ineligible to bid on WBG-financed contracts for the duration of the sanction.

Despite the World Bank's sanctions, the US skepticism, and many other unpleasant occurrences related to the China Road and Bridge Corporation, the Georgian government keeps actively cooperating with its representatives and granting them new contracts.

First of all, we aim at showing yet another Chinese-led main infrastructural project in Georgia with all the problems on procurement and conduct. Along with the Georgia case, our report analyzes the CRBC misconduct cases in Kyrgyzstan, Croatia, Ukraine, the Philippines, and Kenya.

TIMELINE OF THE CRBC SCANDALOUS EVENTS

2009

The World Bank  THE WORLD BANK debarred China Road and Bridge Corporation due to its fraudulent practices concerning the Philippine National Roads Improvement and Management Program (NRIMP 1) in the Philippines .

2009

In Kenya  the Standard Gauge Railway (SGR) project led by the CRBC, 85% of which was funded by the notorious Chinese Exim Bank, met a lot of criticism from the **opposition leaders and Kenyan economists**, who blamed them for increasing the country's debt burden.

2015

The Government of Uganda  that was in charge of all the procurement procedures initially **contracted the CRBC** over the Pakwach-Nebbi Road project financed by the World Bank and later was asked to remove the Chinese company from the bidders due to its debarment imposed earlier.

2015

The Kenyan  Court issued **Civil Appeal NO. 13**, where it disclosed the misconduct related to the SGR construction and the CRBC. Later in 2018, The Ethics and Anti-Corruption Commission (EACC) exposed the theft of 221.4 million shillings (\$2.20 million) by government officials.

2018

In Kenya , the AfriStar, its major shareholder CRBC **manipulated the complex ticket booking system** and split the incomes between the Chinese railway operator and other staff members.

 Office of The Director Of Public Prosecutions @ODPP_KE · Nov 25, 2018
1/3 The DPP has today given consent to @EACCKenya to institute criminal prosecution against three Chinese National working with China Roads and Bridge Corporation (CRBC) at the Standard Gauge Railways (SGR) Mombasa Terminus. cc @DCL_Kenya

 Office of The Director Of Public Prosecutions @ODPP_KE
2/3 The three, Mr. Li Gen the in-charge of Transport, Mr. Li Xiaowu-security manager and Mr. Sun Xin-staff, were offering @DCL_Kenya investigators bribe of Kshs 500,000/= as an inducement to influence an ongoing criminal investigation at the SGR Miritini terminus. cc @EACCKenya



7:09 PM · Nov 25, 2018



2018

A massive corruption scandal concerning **Kyrgyzstan's**  biggest infrastructure project, 433km road and tunnel connecting the north part (Bishkek) to the south part (Osh) of the country involved the members of the Kyrgyz government and the CRBC representatives.

2018

Scandal related to the implementation of Pelješac bridge in **Croatia** , when the Austrian bidder Strabag **filed a complaint** against the Chinese contractor CRBC, claiming that certain items listed by the winner company were uncommonly low-priced that conflicts with the EU laws.

2018

China Export-Import Bank  gave a **\$200 million worth loan** to Ukraine  for the construction of Odesa-Mykolaiv-Kherson highway project led by the CRBC.

2018

Roads Department of Georgia  signed a GEL 901,973,206.57 value contract with China Road and Bridge Corporation for the construction of a 13-kilometer Ubisa-Shorapani road.

2020

FEBRUARY 17

Information was published on the website of the Roads Department of Georgia  regarding the **collapse of the tin roof of the workshop of China Road and Bridge Corporation, a construction company of the Ubisa-Shorapani highway in the village of Ubisa**. Two Chinese citizens were slightly injured in the accident, and one Georgian citizen was seriously injured.

2020

MAY 18

Bulldozer operator received an injury at construction work of Ubisa-Shorapani road. Unfortunately, he lost one leg due to this incident.

2020

AUGUST 17

The Roads Department of Georgia  signed GEL 6,997,668.00 value contract with China Road and Bridge Corporation for the rehabilitation of km 25.5 – km 32 of the Zhinvali-Barisakho-Shatili highway.

2020

SEPTEMBER

Information was published on the website of the Roads Department of Georgia  regarding the **health injury of specialist of one of the contractor companies implementing construction works at Ubisa-Shorapani road section in the workplace of CRBC.**

1. GENERAL OVERVIEW

As revealed by Civic IDEA's previous **China Watch** reports, both Chinese state-owned and private companies are top-rated among the Georgian public agencies. They participate in large tenders organized by the State Procurement Agency and often "defeat" much more qualified Georgian and other foreign companies under suspicious circumstances. China Road and Bridge Corporation (CRBC) belongs to one of the aforementioned Chinese companies. In 2016, CRBC registered on the electronic portal of the State Procurement Agency of Georgia **as a supplier**.¹ **In August 2020**, the company won a tender for the first time and signed the contract with the roads department of Georgia. In fact, this tender is not the first one won by China road and bridge corporation. The tender announced for the construction of the **Ubisa-Shorapani section of the Rikoti** pass road is not published on the electronic system of state procurement.

According to the Article 1 (4) of the **Law of Georgia on Public Procurement**:

"Procurement procedures determined by the World Bank, the United Nations Organization, the European Bank for Reconstruction and Development, the Asian Development Bank, the German Reconstruction Credit Bank (KfW) and the European Investment Bank (EIB) may be applied when conducting public procurement if these organizations are involved in the legal relations related to the implementation of the procurement. If these organizations are not involved in the legal relations related to the implementation of the procurement, the procurement procedures of these organizations, as well as those of other organizations, may be applied only by decree of the Government of Georgia."

As far as the European Investment Bank financed the aforementioned project, the procedural issues of the procurement were determined by EIB under its own rules. Accordingly, the organization did not use the Georgian electronic system of state procurement. Therefore, official information about the procurement of the construction of the **Ubisa-Shorapani section of the Rikoti** pass road and the winning company is available on the **web pages** of the Georgian roads department and EIB.

¹ See list of suppliers
<https://tenders.procurement.gov.ge/public/?lang=ge>

Within the following report, we will discuss the above mentioned tenders, related legal misconducts and accidents associated with the CRBC's activities, which were caused by the violation of labor safety rules.

2. THE CONSTRUCTION OF E-60 UBISA – SHORAPANI SECTION F3 (FL 20160404)

2.1. The aim of the project and the financial sources

On September 16, 2016, within the presentation of the **Georgian spatial arrangement project**, Prime Minister Giorgi Kvirikashvili introduced one of the most important parts of the 4-point plan of reforms of spatial arrangement. PM presented the construction project of the East-West connecting highway and its sub-routes, including Rikoti section – Chumateleti-Argveta. The construction of the carriageway mentioned above **began in 2018**. The **51.6 km long road** includes 96 bridges and 53 tunnels.

The carriageway was divided into four sections. The following table includes the latest information about the financial sources and winning companies of each section of the road:

Section	Financial Source	Winning Company
Chumateleti-Khevi (section I) – 11.7 km	World Bank (WB) and European Investment Bank (EIB)	China State Construction Engineering Corporation Limited
Khevi-Ubisa (Section II) – 12,2 km	Asian Development Bank (ADB)	Hunan Road and Bridge Construction Group
Ubisa-Shorapani (Section III) – 13 km	European Investment Bank (EIB)	China Road and Bridge Corporation
Shorapani-Argveta (Section IV) – 14,7 km	Asian Development Bank (ADB)	Guizhou Highway Engineering Group and China National Technical Import and Export Corporation

The project has special significance since it aims **to connect western and eastern carriageways** in Georgia. The estimated completion period of construction is **2022-2023**. The Ministry of Regional Development and Infrastructure of Georgia announced:

„The quality of the main transport artery will be significantly improved, which will make a great contribution to the development of the country's economy.“

2.2. The invitation for bids and revealing the winner

On July 6, 2018, the **European Investment Bank** (EIB) allocated approximately EUR 332 million to finance the third section of the 13 km long Rikoti Pass Road – Ubisa–Shorapani. According to the official **information** published on EIB’s web page, the Bank requires the beneficiaries to ensure that any procurement procedures are done in accordance with the Bank’s Guide to Procurement, the relevant applicable EU public procurement rules, and relevant applicable local legislation.

On July 4, 2018, a **tender** on e-procurement for the construction works of 13 km long road of Ubisa–Shorapani was published on the web page of the Roads Department. Within the tender documentation, relevant **construction experience was required**. Among the requirements was participation in 320 million USD value contracts, which also have been successfully accomplished. The estimated date of completion of the construction is December 2021. **Ultimately, eight companies bade for the tender. On November 21, 2018, the winning company was announced. 901,973,206.57 GEL value contract was signed between China Road and Bridge Corporation and the Roads Department of Georgia.** Since the aforementioned tender is not published on the electronic system of state procurement, there are some **uncertain issues**:

- ▶ On what criteria was China Road and Bridge Corporation selected?
- ▶ Whether other participants were disqualified and if so, what was the reason for disqualification?

Irakli Karseladze, Chairman of the Roads Department,
and Lu Shan, Chairman of China Road and Bridge
Corporation



Civic IDEA has requested public information from the Roads Department of Georgia about the last-mentioned criteria. However, the agency has responded that only a disqualified participant is entitled to request additional information and clarifications regarding the disqualification process during the selection process.

The Roads Department published an announcement about the winning company China Road and Bridge Corporation and information about its successfully accomplished projects:

„China Road and Bridge Corporation was founded in 1979. During the last ten years, the company constructed more than 200 roads, with a total length of more than 10 000 km; 40 large-scale bridges of complex structure with a total length of more than 100 km; 6 large tunnels of complex structure with a total length of more than 30 km”.

However, the agency has not published anything about the company’s failed projects, misconducts, scandals, and tainted international reputation, which you will see thoroughly in the following chapters of our report.

2.3. Construction supervision

On June 13, 2018, nine companies bade for a **tender** on e-procurement for the Supervision of Construction Works for Ubisa-Shorapani Road Section (F3) of E-60 Highway. According to the award notice published on July 5, 2019, a successful consultant (winner) is Egis International in association with Engineering Monitoring Group Ltd. The value of the contract is USD 2,484,442.80 & EUR 3,593,719.50 & GEL 9,364,585.02 inclusive of local indirect taxes. As in the case of China Road and Bridge Corporation, the selection procedure and requirements for this tender are uncertain as well.

Egis International in association with Engineering Monitoring Group Ltd is a French company operating in several countries worldwide. In 2018 and 2020, the company was sanctioned by the World Bank.

- ▶ **In 2018, the World Bank imposed 15-month sanctions on Egis International Indonesia—a subsidiary of Egis International due to fraudulent practice under the Road Climate Resilience Project in Timor-Leste.** The company provided false information regarding the availability of a key specialist in the contract.
- ▶ **In 2018, Egis Avia – a subsidiary of Egis, was finally placed under formal investigation on the ground of bribery of foreign public officials.** Egis later pleaded guilty and signed a Judicial Public Interest Agreement with the French National Financial Prosecutor, under which he paid a fine of €2.6 million in favor of the state.
- ▶ **On June 17, 2020, the World Bank once again imposed sanctions on Egis,** in this case, due to the corruption and fraud related to the Karnataka State Highway Improvement Project (KSHIP II) in India and the Uttar Pradesh Main Road Network Development Project (UPCRNDP).

Therefore, the supervision of the construction of the Ubisa-Shorapani highway was entrusted to a company whose name is associated with corruption, spreading false information, and taking bribes within the construction of roads in different countries of the world.

3. VIOLATION OF THE LABOR SAFETY NORMS

On February 17, 2020, information was published on the Roads Department of Georgia website regarding the **collapse of the tin roof of the workshop of China Road and Bridge Corporation, a construction company of the Ubisa-Shorapani highway in the village of Ubisa**. Two Chinese citizens were slightly injured in the accident, and one Georgian citizen was seriously injured. In front of the TV cameras Irakli Karseladze, Chairman of the Roads Department, gave warning to the company representatives about the compliance with the labor safety norms. According to the statement of Karseladze:

“Both a construction and supervising company provided explanations about the incident. The accident took place on a temporary building. The injured were provided on-site treatment, and a Georgian citizen was taken to Kutaisi Referral Hospital, where he is undergoing treatment. His condition is stable. The causes of the incident are being identified. We gave a warning to the representatives of the company about compliance with the labor safety norms. In addition, the Labor Inspectorate of the Ministry of Health, Labor and Social Affairs of Georgia is already conducting an investigation, and all those responsible will be severely punished if the deficiencies are identified. We continue to monitor on a daily basis so that any breaches can be eliminated immediately.”

The Labor Inspection has **temporarily suspended** construction work on this section until the case is thoroughly investigated.

According to the employer, the roof collapsed due to heavy snow, but the employees and the Georgian Trade Union Confederation have radically different positions. According to the Imereti coordinator of the trade unions, Irakli Mkheidze:

“Individual and/or collective preventive measures are not provided, buildings around the workplace do not comply with the technical regulations established by the Georgian legislation, etc. There are lots of violations of labor safety norms. That is why 20 days ago, we started a labor dispute. We demand this company to ensure compliance with the standards set by the legislation of Georgia, which are necessary for human life and health.”

Two days before the incident, **Beka Cheishvili**, one of the workers employed by CRBC within the construction of the Ubisa-Shorapani highway, provided a tv channel “Rustavi 2” with footage of violations of labor safety norms around the construction workplace. According to the employee, the employer company CRBC did not comply with the minimum sanitary norms in the workplace, forced employees to work overtime, and, most importantly, did not ensure labor safety conditions in the workplace. Besides Rustavi 2, the employee also provided the Labor Inspection with the footage, which later led to the termination of the employment agreement between him and CRBC.

Shot from the story

Civic IDEA has requested public information from the Roads Department of Georgia on the above-referred events. The Agency **responded** that:



“The Labor Inspection Department of the Ministry of Labor, Health and Social Affairs (from now on – the Inspection Department) conducted an investigation, identified several violations, and by the decision of the Tbilisi City Court dismantling works were suspended. The Contractor Company was given recommendations for remedial action regarding certain technical issues and documentation. The contractor company corrected the errors and notified the inspection department.”

Despite the warning of China Road and Bridge Corporation and Mr. Karseladze’s promise that labor safety monitoring would be toughened, unfortunately, in May 2020, an accident occurred again in the workplace of Ubisa-Shorapani highway constructions.

On May 18, 2020, a bulldozer operator received an injury at the construction work of Ubisa-Shorapani road. Medical personnel transferred him to Peromed Hospital in Zestaponi to perform surgery. The operator injured his legs. Unfortunately, he lost one leg due to this incident. China Road and Bridge Corporation announced that they would fully cover the injured worker's medical treatment and rehabilitation costs.

According to the Roads Department's official **response** to our questions:

“The inspection department has started the investigation based on the relevant notification defined by the legislation. However, according to the contractor company, it has not received any official notification regarding the investigation results. Also, the Ministry of Internal Affairs of Georgia has launched an investigation into this fact. As a result of the investigation of the case, it was established that the producer of the works was prosecuted under the first part of Article 240 of the Criminal Code of Georgia.”

In September 2020, information was published on the website of the Roads Department of Georgia **regarding the health injury of specialist of one of the contractor companies implementing construction works at Ubisa-Shorapani road section in the workplace of CRBC.** The injured worker was taken to the hospital in Kutaisi, wherein urgent surgery was done. An accident investigation has been launched. However, **the inspection department has not sent a report to China Road and Bridge Corporation because the victim was an employee of another company.** Nevertheless, the fact remains – a person suffered severe health damage in the workplace of China Road and Bridge Corporation.

During one year, there have been three different cases of health injury of employees in the workplace of Ubisa-Shorapani highway constructions. China Road and Bridge Corporation was responsible for providing a safe working environment for staff working on the highway.

Interestingly, why has a company **that has built more than 200 roads in the last ten years** failed to provide a safe environment for staff in the workplace?

Also, what were the missions of the supervisory company Egis International in association with Engineering Monitoring Group Ltd., **which has won USD 2,484,442.80 & EUR 3,593,719.50 & GEL 9,364,585.02 value contract?** It is noteworthy that **the agreement** between the Roads Department of Georgia and Egis International in association with Engineering Monitoring Group Ltd as Sub-Consultant explicitly sets out Egis' obligation to consult the Contractor (CRBC) on any matter relating to labor safety.

4. REHABILITATION WORKS FOR ZHINVALI-BARISAKHO-SHATILI ROAD SECTION FROM KM 25.5 – KM 32

On March 2, 2020, the Roads Department of Georgia announced a **tender (DEP200000014)** on the state procurement of rehabilitation works of 25.5 – km 32 of Zhinvali-Barisakho-Shatili road. The procurement was financed by World Bank. The estimated value of the procurement was GEL 8,124,221.43. Seven bidders participated in the tender, and China Road and Bridge Corporation won with the lowest bid – 6,997,668.00 GEL. **The winner was announced on August 17, 2020.**² The **Chairman of the Tender Commission** was Irakli Karseladze, **who also was the First Deputy Minister of Regional Development and Infrastructure of Georgia and the Chairman of the Roads Department of Georgia. Currently, he is the Minister of Regional Development and Infrastructure of Georgia.** There is no public information about the selection procedure and tender documentation on the electronic system of state procurement. It should be noted that the World Bank financed the procurement, **the procuring entity had defined in detail both the technical characteristics of the procurement and the qualification requirements** of the supplier following the World Bank standards. Among them were requirements for compliance with environmental, social, and health safety regulations, under which the supplier **undertook an obligation to provide a safe environment for staff in the workplace.** The most interesting passage in this story is that Irakli Karseladze, the chairman of the tender commission, selected and approved CRBC, the company that failed to provide a safe working environment in the workplace during the Ubisa-Shorapan road construction.

Irakli Karseladze is known for his loyal attitude towards Chinese companies. For example, **on August 15, 2019, he announced** that the Chinese company China Railway 23rd Bureau Group Co Ltd.³ would work on the highway of Kvesheti-Kobi section, although the World Bank banned the company from participating in tenders for nine months. At that time, Mr. Karseladze, in response to our criticism, stated that the company had participated in the tender for the project before the decision of the World Bank, despite the fact that the relationship with them started right after the disqualification by the World Bank. Our monitoring confirms that the Roads Department mostly prefers Chinese companies, and no one denies it.

² Tender DEP200000014 award notice <http://tenders.procurement.gov.ge/public/?go=347561&lang=ge>

³ See the Report regarding the China Railway 23rd Bureau Group Co Ltd by Civic Idea <https://civicidea.ge/%e1%83%a1%e1%83%90%e1%83%9b%e1%83%9d%e1%83%a5%e1%83%90%e1%83%9a%e1%83%90%e1%83%a5%e1%83%9d-%e1%83%98%e1%83%93%e1%83%94%e1%83%90%e1%83%a1-china-watch-%e1%83%98%e1%83%a1-%e1%83%9b%e1%83%94/>

ACTIVITIES OF CHINA ROAD AND BRIDGE CORPORATION IN GEORGIA

The Chinese company China Road and Bridge Corporation (CRBC) was **first registered** as a supplier on the portal of the National Procurement Agency in December 2016. The firm **is actively collaborating with the Roads Department of Georgia on two significant projects, and so far has been linked to many shortcomings and questionable circumstances:**

- ▶ On November 21, 2018, China Road and Bridge Corporation won the tender announced by the Roads Department, within the framework of the state procurement **related to the construction works of Ubisa-Shorapani road** (announcement number: **DEP180000085**) and signed a GEL 901,973,206.57 worth contract.
- ▶ **The Roads Department refuses to provide information** regarding the criteria used to select China Road and Bridge Corporation, whether other participants were disqualified, and so on.
- ▶ **On February 12, 2020**, Beka Cheishvili, employed on the construction of the Ubisa-Shorapani road section, provided TV channel “Rustavi 2” with footage of violations of labor safety rules on the construction site and explained that **China Road and Bridge Corporation did not adhere to minimum sanitary norms in the workplace, employees were forced to work overtime, and most importantly, labor safety conditions were not created in the area. The employee also provided this footage to the Labor Inspectorate, which later became the real reason for his dismissal.**
- ▶ Two days after the above-mentioned fact, **on February 14, 2020**, in the village of Ubisa, the tin roof of the workshop of the CRBC (a construction company of the Ubisa-Shorapani section) collapsed, slightly injuring two Chinese citizens and seriously injuring one Georgian citizen. The Labor Inspectorate has temporarily suspended construction work on this section until the case was thoroughly investigated. **China Road and Bridge Corporation was given only recommendations, and no additional sanctions were imposed against it.**
- ▶ **On May 18**, a bulldozer operator of China Road and Bridge Corporation was seriously injured while performing construction work on the Ubisa-Shorapani highway. **CRBC was not still sanctioned anyway.**
- ▶ **In September 2020**, an explosion at a China Road and Bridge Corporation site injured another worker, However, **no sanctions were imposed against the CRBC, even though the injured person was working on its territory.**
- ▶ A company that has built more than 200 roads in the last ten years **has failed to create a safe environment for staff in the workplace.**
- ▶ On March 2, 2020, the Department of Roads, with the funding of the World Bank, announced a state procurement tender for the rehabilitation works of **DEP200000014** Zhinvali-Barisakho-Shatili road (km 25.5 – km 32). The agency signed a GEL 6,997,668.00 contract with China Road and Bridge Corporation.
- ▶ Within the tender DEP200000014, the Procurer had detailed supplier qualification requirements following the World Bank standards. **Among them was compliance with environmental, social, and health safety rules, under which the supplier undertook to create a safe environment for working personnel.** Interestingly, the chairman of the tender commission – Irakli Karseladze, selected and approved the company CRBC, which failed to create a safe working environment on the Ubisa-Shorapani Road section and claimed the health of many workers, including the **one who lost a leg.**

China has established itself as Kyrgyzstan's important economic partner. In our third China Watch report, we have already covered the misconduct related to another Chinese company Sinohydro in Kyrgyzstan. However, this Chinese firm did not turn out to be the only one actively pursuing China's „debt trap” policy. **A massive corruption scandal** involving the members of the Kyrgyz government and the CRBC representatives was revealed by the Ferghana Valley media outlet back in June 2018. Kyrgyzstan's biggest infrastructure project, 433km road and tunnel connecting the north part (Bishkek) to the south part (Osh) of the country, was handed to the China Road and Bridge Corporation. The Kyrgyz government has taken a 850 million USD loan from China's notorious Exim Bank to implement it under the Belt and Road Initiative. According to Ferghana investigation, two former transport ministers, Kalykbek Sultanov and Zhamshitbek Kalilov, who were responsible for the project, had corrupt dealings with the CRBC to steal the funds allocated from the Chinese loan. More precisely, the fraud scheme was based on the overpriced construction materials. For instance, while the price of 1kg of cement was 7 cents on the local market, **they paid US\$1.1 per kilogram for the construction** of the above-mentioned tunnel. **None of them pleaded guilty**, and no state investigation has been launched regarding this case.

CRBC IN KYRGYZSTAN



The CRBC scandal in Croatia rose around its main infrastructure project, the 2.4km Pelješac bridge, which is supposed to connect the south part (where the major tourist destination – Dubrovnik is located) to the north part of the country. In 2017, the EU Cohesion Policy Funds allocated 357 million euros to cover 85% of the project costs, and the Croatian government announced the tender for its construction. There were **three leading bidders**, Italian-Turkish consortium Astaldi and Ictas, that offered to build the bridge for 2.55 billion Croatian Kuna, Austrian firm Strabag proposing 2.62 billion Kuna, and China Road and Bridge Corporation offering the cheapest bid – 2.08 billion Kuna for its implementation. The European bidders lost to the Chinese company, and the latter started the construction of the Pelješac bridge in July 2018. The Croatian Road operator Hrvatske Ceste (HC) signed a deal with a Chinese consortium led by CRBC. According to the official agreement, the project was expected to finish by July 2021. However, as claimed by the Croatian PM Andrej Plenkovic, due to the Covid-19 pandemic, its completion is delayed to February 2022.

CRBC IN CROATIA



The project has been under intense scrutiny since 2018 after **the Austrian bidder Strabag filed a complaint** against the Chinese contractor CRBC. Certain media outlets report that the Austrian company was backed by the Italian bidder that also appealed against the final decision. As stated by their claims, certain items listed by the winner company were **uncommonly low-priced** that



conflicts with the EU laws. They recalled the company's dumping practices, its affiliation to the Chinese Communist Party and encouraged the local government to react to these issues by questioning its eligibility to conform to EU standards. However, the Croatian authorities did not bother to measure the risks associated with the CRBC, purely basing their decision on the cheapest price indicator. After being denied by the Croatian State Commission for Control of Public Procurement Procedures, the Austrian company sent their **complaint to the Administrative Court**, where it is still pending.

Pelješac bridge project became proof of controversial Chinese companies winning the EU tenders and beating their European counterparts in their homeland.

CRBC IN UKRAINE



Four years ago, due to the MOUs signed with the CRBC, Ukraine was on the edge of becoming the victim of China's debt-trap policy. On March 21, 2017, the head of Ukraine's State Automobile Agency – Ukravtodor, Slawomir Nowak, **signed a memorandum of cooperation** with the VP of China Road and Bridge Corporation, Du Fei concerning the construction of the M-22/E-584 Poltava-Oleksandria highway, together with the bridge of Kremenchuk on the Dnipro River. The project had particular importance for Ukraine, as it would increase Ukraine's national budget revenue and attract more investments in the Dnipro regions. The government of Ukraine intended to take a \$300 million loan from the Chinese Export-Import Bank to implement the Kremenchuk construction. In May 2017, **the proposal** was discussed during the visit of the deputy minister for European Integration, Viktor Dovhan to Beijing. Up to now, **China avoided the financing** of this project, hence, the CRBC failed to launch the works.

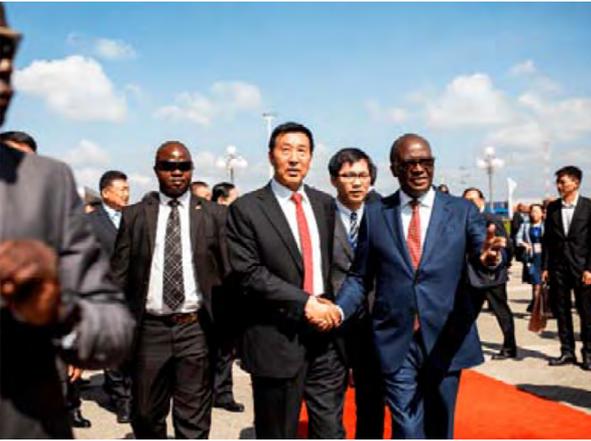
In July 2017, the CRBC Vice President Ye Chengyin **signed another MOU** with Ukravtodor to rehabilitate the 200 km length Odesa-Mykolaiv-Kherson highway in Ukraine. Deputy Minister of Infrastructure Viktor Dovgan highlighted that **this initiative was a part of the broader "Black Sea Ring" project** discussed during the conference of the Black Sea Economic Cooperation (BSEC). Dovgan said that the construction of this concrete highway would take about 1.5 years, and its cost ranged between \$150-200 million. According to Silk Bridge, in 2018, China's Export-Import Bank invested \$200 million as a loan for its construction. Henceforth, Ukraine became China's debtor country.

As reported by the **International Trade Administration**, there are talks between the Ukravtodor and the two Chinese companies, CRBC and the Poly Changda Engineering Co. Ltd, about constructing the Velyka Kiltseva Ring Road project. The dates of its implementation are unknown and the project is at the planning stage. According to the ITA's official website, the project will be sponsored by Ukravtodor, but it stays unknown from which sources the state agency will get the required funds.

The scandal in the Philippines has become a significant turning point for which the World Bank has blacklisted the China Road and Bridge Corporation and its successor, the China Communications Construction Company Limited. The National Road Improvement and Management Program (NRIMP) Phase 1, which was initially financed and assisted by the World Bank, encountered many obstacles and turned out to be the most scandalous among the other projects led by China in the Philippines. The NRIMP was a three-phase program (NRIMP 1, 2 and 3) that originally lasted from 2000 to 2009. As we read from **the summary report** implemented by the Japan International Cooperation Agency (JICA), “its (NRIMP’s) goal is to establish management systems that would ensure the upgrading and preservation of the national roads system in an environmentally, socially and financially sustainable means.” The total cost of the NRIMP was 33-45 million USD. The CRBC as the main bidder of Phase 1, together with its partner companies: “China State Construction Corp., China Wu Yi and China Geo-Engineering Corp. reportedly colluded with two Philippine companies and a Korean company **to set bid prices at artificial, non-competitive levels** during a tender for NRIMP 1.” The project financed have been distributed between the political, bureaucratic apparatus of Philippines and the contractor company representatives. Two witnesses have also admitted that **bribes were given** to relevant local NGOs and media outlets to prevent the bad publicity of the project. Two years after the CRBC debarment, the CCCC was also blacklisted by the World Bank for the collusive practices related to the same project.

Nevertheless, the debarment lasted until 2017, meaning under President Duterte’s administration, the government of the Philippines continues fraudulent activities with the CRBC successor. In 2019, the CCCC and Macroasia Corp MAC.PS won an airport project worth 10 billion USD in the Philippines. According to **Reuters**, “CCCC joined airline service company Macroasia in a consortium with the Cavite provincial government to carry out the expansion of the Sangley Point International Airport, one of two big projects that aim to take pressure off the four terminals of Manila’s notoriously packed international airport.” Notably, the **CCCC-MacroAsia** was the only bidder for the project. Their victory has been met with criticism from national security experts and former officials. The fact is that the Philippine authorities continue the cooperation with state owned Chinese companies justifying it by following an “independent foreign policy course”.





One of the biggest corruption scandals related to CRBC activities occurred in Kenya. Sino-Kenyan relations boosted back in 2009, with the memorandum of understanding signed between the Transport Minister of Kenya and the CRBC. The document envisaged the forthcoming cooperation on the development of the Kenyan railway infrastructure. According to **the official deal** signed between the CRBC and the Kenyan Railways in 2012, the Chinese company would become a preconditional player in the Sino-Kenyan financial agreement. The deal was signed by Nduva Muli, who later became the personnel au sol of the Transport Ministry of Kenya and hounded out of office for corruption allegations.

Standard Gauge Railway (SGR), the largest infrastructural project in the history of the independent Kenya that stretches from Mombasa to Nairobi and costs 3.8 billion USD, has been dogged by various claims ranging from the inflated pricing that was not economically feasible, with Rwanda and Uganda distancing themselves from it. At the outset, even China refused to sponsor the second phase of the project. However, the Kenyan government dismissed these allegations as conspiracy theories and emphasized the importance and viability of the project.

The Chinese government was unwilling to completely give up on this project and has pushed it as a part of its Belt and Road Initiative. In 2012, the Kenyan government allowed the CRBC to conduct the feasibility study of SGR construction. The latter offered its services for free while not being eligible for the contract, as by then, the CRBC was already blacklisted by the World Bank. In 2014, Premier of the State Council of the People's Republic of China, Li Keqiang himself, attended the signing of a **3.8 billion USD worth contract for SGR construction** between CRBC and the Kenyan government. 85% of the funding for the project came from the notorious Chinese Exim Bank, and the construction was expected to finish by 2017. Accordingly, Kenya became the victim of the Chinese “debt trap” policy, which it accomplishes in less developed countries worldwide. According to Reuters, “opposition leaders and Kenyan economists have criticized the railway’s funding for increasing the country’s **debt burden**, which the IMF estimated at between 54–55 percent of economic output (GDP) in the 2017–18 fiscal year.” The Ethics and Anti-Corruption Commission (EACC) launched an investigation against the government officials and businesspeople involved in the state and construction procedures of the project. In 2018, they exposed **the theft of 221.4 million shillings** (\$2.20 million) by government officials. According to the Public Prosecutor, Noordin Haji, “officials had siphoned taxpayer money through phony compensation claims for land used for the railway.” Earlier in 2015, the Kenyan Court issued Civil Appeal NO. 13, where it disclosed the misconduct related to the SGR construction and the CRBC. According to the document,



Kenya railways violated the country's law while awarding the CRBC with the contract, which was, therefore, stated as **“unconstitutional, irregular, illegal, invalid null and void.”** As a result, 18 officials, businesspeople and companies' representatives were arrested and found guilty of theft and fraudulent schemes. Among them were the chairman of the National Land Commission, Mohammed Abdalla Swazuri, and the director of the Kenya Railways Corporation, Atanas Kariuki Maina.

Additionally, CRBC has been accused of exploitation of local population in Kenya. Kenyans complained that the SGR project financed by the taxes they paid appeared less beneficial for them than expected. First of all, there were fewer jobs created for Kenyan citizens than announced from the beginning of the project. Instead, the CRBC brought the Chinese workers who were better-paid and well-accommodated, unlike their local colleagues. The number of foreign workers exceeded three times the amount announced earlier and comprised 5,795 people instead of 2000. Secondly, the top Chinese workers were privileged with furnished houses and offices, while Kenyans were mistreated, dismantled, and downgraded. According to **Daily Nation**, “the cost of maintaining just the top five CRBC engineers worked out to over \$12 million in U.S. dollars, an exorbitant sum for Kenya, which has a growing economy but high unemployment, high poverty rates, and a per capita income of about \$1,500 per month.” The project's critics predict more scandals lurking deeper inside the project construction that might be occasionally revealed.

Following the launch of the SGR, the CRBC subsidiary **Africa Star Railway Operation Company** won the new contract for controlling operations of passenger and cargo trains on the new railway. Pursuant to contract, Kenyan government gave the company **6.5 billion shillings** to run the SGR activities. The 2018 investigation proved, that through AfriStar, its major shareholder manipulated with the complex ticket booking system and split the incomes between the Chinese railway operator and other staff members. Additionally, they have created fake refunds for tickets already distributed to their customers on board and channeled those payments elsewhere. Kenya Railways had to raise alarms because of the **unprecedented number of fake refunds** that caused the loss of millions of shillings. Henceforth, the Kenya Railways had to **terminate its contract** with AfriStar. In 2018, three representatives of the CRBC, the Chinese nationals, Li Gen, head of transport, Li Xiaowu, security manager, and Sun Xin, staff member, were **arrested for the attempt to bribe** Directorate of Criminal Investigations (DCI) officers with 500 000 Kenyan shillings. The agency revealed with Media that the further arrests of CRBC representatives might occur, due to the ticket fraud evidence and the on-going investigation.

Office of The Director Of Public Prosecutions @... · Nov 25, 2018
1/3 The DPP has today given consent to @EACCKenya to institute criminal prosecution against three Chinese National working with China Roads and Bridge Corporation (CRBC) at the Standard Gauge Railways (SGR) Mombasa Terminus. cc @DCI_Kenya

Office of The Director Of Public Prosecutions @ODPP_KE

2/3 The three, Mr. Li Gen the in-charge of Transport, Mr. Li Xiaowu-security manager and Mr. Sun Xin-staff, were offering @DCI_Kenya investigators bribe of Kshs 500,000/= as an inducement to influence an ongoing criminal investigation at the SGR Miritini terminus. cc @EACCKenya



7:09 PM · Nov 25, 2018

STANDARD GAUGE RAILWAY (SGR) TICKET FRAUD

GLOSSARY

CRBC – A Chinese state-owned company “China Road and Bridge Corporation” established in 1958, currently a subsidiary of the CCCC.

CCCC – A Chinese state-owned company “China Communications Construction Company” formed in 2005, by the merger of China Road and Bridge Corporation (CRBC) and China Harbour Engineering Company (CHEC).

NRIMP – The Philippines – First National Roads Improvement and Management Program Project, was a three-phase program (from 2000 to 2009), which was initially financed and assisted by the World Bank, encountered many obstacles and turned out to be the most scandalous among the other projects led by China in the Philippines.

INT – “The Integrity Vice Presidency is an independent unit within the World Bank Group that investigates and pursues sanctions related to allegations of fraud and corruption in World Bank Group-financed projects.”

<https://www.worldbank.org/en/about/unit/integrity-vice-presidency>

EXIM BANK – “The Export-Import Bank of China is a state-funded and state-owned policy bank with the status of an independent legal entity. It is a bank directly under the leadership of the State Council and dedicated to supporting China’s foreign trade, investment and international economic cooperation.”

<http://english.eximbank.gov.cn/Profile/AboutTB/Introduction/>

UKRAVTODOR – State Agency of Motor Roads of Ukraine established in 1990, replacing the Ministry of Roadways of Soviet Ukraine.

ITA – The International Trade Administration is led by the Under Secretary of Commerce for International Trade. It strengthens the competitiveness of the US industry, promotes trade and investment, and ensures fair trade.

<https://www.trade.gov/about-us>

JICA – Japan International Cooperation Agency is a government agency that provides technical cooperation and other forms of aid promoting economic and social development.

<https://www.jica.go.jp/english/index.html>

SGR – Standard Gauge Railway, the largest infrastructural project in the history of the independent Kenya that stretches from Mombasa to Nairobi and costs 3.8 billion USD, has been dogged by various claims.

EACC – “The Ethics and Anti-Corruption Commission gathers information on corruption occurring in the Government and the public sector from a variety of sources. These sources include members of the public, heads of government departments and agencies, officials working in both the public and private sectors, and the media.”

<https://eacc.go.ke/default/>

DCI – The directorate of Criminal Investigations is established under the National Police Service Act, 2011. It is part of Kenya’s larger National Police Service.

<https://www.cid.go.ke/index.php/aboutus/background-of-cid.html>

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