



Federal Democratic Republic of Ethiopia

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**Irrigation and Drainage Project**

**REDACTED Report**

September 2015

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## Executive Summary

This report provides the findings of an administrative inquiry (the investigation) by the World Bank Group Integrity Vice Presidency (INT) into allegations of misconduct by Company A in connection with the Ethiopia Irrigation and Drainage Project (the Project).

The Project aims to sustainably increase agricultural output and productivity in project areas. In furtherance of these goals, the implementing agency for the Project issued an Invitation for Prequalification, and later accepted bids for a construction contract under the Project (the Contract). As the lowest bidder, Company A was awarded the Contract.

During the initial tendering process for the Contract, INT was informed of possible collusive behavior by the bidding companies, including Company A. Following an investigation, INT was unable to find evidence supporting the allegations of collusion, however INT did find evidence indicating misrepresentations by Company A in its bid submissions.

Evidence indicates that Company A made fraudulent misrepresentations regarding both its prior experience and the prior experience of its proposed personnel in its bid submissions. The record shows that the two projects that Company A represented that it had completed in order to satisfy the bidding requirements did not in fact exist. Evidence further indicates that Company A provided resumes for proposed personnel that detailed past project experience that was non-existent or inaccurate.

During an interview with INT, the General Manager of the Ethiopian Branch of Company A, who was listed as the proposed Project Manager in Company A's bid, confirmed that nearly all of the experience listed in his resume was false. The Vice President of Company A further indicated to INT that Company A's bids contained misrepresentations regarding both its prior experience and the prior experience of its proposed personnel.

The World Bank imposed a sanction of debarment with conditional release on Company A. This period of ineligibility extends to any legal entity that Company A directly or indirectly controls.

## **Background**

The Ethiopia Irrigation and Drainage Project (the Project), which aims to sustainably increase agricultural output and productivity in target areas, is a project primarily financed by two International Development Association (IDA)<sup>1</sup> credits.

The implementing agency for the Project issued an Invitation for Prequalification for a construction contract (the Contract). Five entities were prequalified, four of which, including Company A, submitted bids.

During the bid evaluation process the implementing agency noticed that the prices of the four bids were substantially higher than the cost estimate prepared by the agency's engineer prior to the prequalification. Following this, the implementing agency rebid the Contract based on the post qualification method, and the bidding documents were reissued to certain bidders. As the lowest qualified bidder, Company A was awarded the Contract.

## **Allegations**

During the initial tendering process INT received information indicating possible collusive behavior among the pre-qualified bidders, primarily based on the fact that the four initial bids had all been substantially higher than the estimate made by the implementing agency's engineer.

## **Methodology**

INT conducted a forensic audit of Company A's bid pricing and a forensic analysis of all of the bids in both rounds of bidding. Additionally, INT conducted interviews with relevant employees at Company A.

## **Findings**

Although INT's investigation did not turn up sufficient evidence to substantiate the allegations of collusion, evidence indicates that Company A made misrepresentations in its bid submissions regarding both its prior experience and the prior experience of its proposed personnel.

### **a. Evidence indicates that Company A submitted past contracts and certificates of prior experience for projects that did not exist.**

The bidding documents for the Contract required bidders to show work on two similar contracts within the last six years. In order to satisfy these requirements, Company A represented in both its prequalification document and its bid submission that it had purportedly completed two irrigation projects; one in City A and another in City B.

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<sup>1</sup> IDA is one of the five institutions comprising the World Bank Group. The IDA and the International Bank for Reconstruction and Development (IBRD) constitute the World Bank. Therefore, IDA, and the World Bank are used interchangeably throughout this report.

Evidence indicates not only that the completion certificate and contract that Company A submitted in relation to the project in City A were not legitimate, but also that the entire City A project does not, and never has, existed. Further evidence indicates that the purported construction site that Company A supposedly worked at under the project in City B also did not exist.

During an interview with INT, the Vice President of Company A confirmed that Company A's bids contained misrepresentations regarding its prior experience. In separate interviews with INT, neither the General Manager of the Ethiopian Branch of Company A, nor Company A's Deputy General Manager, disputed INT's findings that the project in City A and the building site under the City B project were not real.

**b. Evidence indicates that Company A included false and exaggerated information in its bid submissions regarding the prior experience of proposed personnel for the Project.**

The bidding documents for the Project required bidders to demonstrate that their proposed personnel for certain key positions had the requisite amount of prior work experience. The bidding documents required, *inter alia*, that the Project Manager have 12 years of prior experience on similar projects, and that the Deputy Project manager, Superintendent, Accountants, and Quantity Surveyor all have 10 years of similar works experience.

Evidence indicates that in both of its bids, Company A included resumes which indicated that all 11 of Company A's proposed personnel possessed the requisite prior experience. However, the General Manager of the Ethiopian Branch of Company A, who was listed as the proposed Project Manager in Company A's bid, informed INT that, except for his work on one project, all of the experience listed in his resume was fabricated. This individual further informed INT that his responsibilities on the one legitimate project had been overstated in the resume submitted with Company A's bid. Company A's Deputy General Manager, who was listed in the bids as the proposed Mechanic Superintendent for the Project, also informed INT that two of the experiences listed in his resume were not legitimate. The Deputy General Manager further noted that two of the other project experiences on his resume included inaccuracies regarding the dates of the projects. In sum, evidence indicates that neither Company A's proposed Project Manager, nor its proposed Mechanic Superintendent had sufficient prior work experience to satisfy the bidding requirements.

Evidence also indicates that the resumes of 7 of the remaining 9 personnel proposed by Company A in its bids included claimed experience on one or both of the non-existent projects in City A and City B. The Vice President of Company A further confirmed to INT that both of Company A's bids contained misrepresentations regarding the prior experience of its proposed personnel.

**Follow Up Action by the World Bank**

The World Bank imposed a sanction of debarment with conditional release on Company A. This period of ineligibility extends to any legal entity that Company A directly or indirectly controls.