



Republic of Armenia

Second Health System Modernization Project

Redacted Report

October 2015

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Executive Summary

This report provides the findings of an administrative inquiry by the World Bank Group Integrity Vice Presidency (INT) into allegations of misconduct in connection with the Second Health System Modernization Project (the Project) in the Republic of Armenia.

The Project Implement Unit published a procurement notice for an equipment supply contract (the Contract) financed under the Project. Company A and Company B submitted bids for the Contract and, eventually, Company B was awarded the Contract.

Evidence indicates that both Company A and Company B had submitted false authorization and quality assurance documents with their bids for the Contract. In response to INT's inquiries, the purported issuers of the documents submitted by Company A and Company B informed INT that they had not issued those documents.

Evidence also indicates that Company B supplied used equipment for the Contract, even though the bidding documents for the Contract required the supply of unused goods.

The World Bank imposed a sanction of debarment with conditional release on Company A and Company B. The periods of ineligibility extend to any legal entity that is directly or indirectly controlled by Company A or Company B.

Background

The Second Health System Modernization Project (the Project) in the Republic of Armenia is designed to improve the organization of the health care system in order to provide more accessible, quality and sustainable health care services to the population, in particular to the most vulnerable groups, and to better manage public health threats.

The Project is financed by an International Development Association (IDA) credit in the amount of US\$ 22 million, and an International Bank for Reconstruction and Development (IBRD) loan in the amount of US\$ 19 million.¹ The Republic of Armenia established a Health Project Implementation Unit (HPIU) under the Ministry of Health for the implementation of the Project.

The HPIU published the bidding documents for an equipment supply contract (the Contract) financed under the Project. Company A and Company B submitted bids for the Contract and, eventually, Company B was awarded the Contract.

Allegations

The World Bank Group Integrity Vice Presidency (INT) was informed that Armenian government officials were concerned about a lack of competition in the tenders, possible collusion between the bidders, and the delivery of potentially old equipment in relation to World Bank-funded health projects in Armenia.

Methodology

INT's investigation consisted of, among other things, a review of Project documents, as well as documents and statements obtained from Company A, Company B, and the purported issuers of authorization documents submitted by Company A and Company B.

Findings

1. Evidence indicates that Company A submitted false documents in its bid for the Contract.

Company A's bid included a manufacturer's authorization document, purportedly issued by Company C. Company A's bid also included a manufacturer's authorization document and a declaration of goods quality, purportedly issued by Company D.

However, in response to INT's inquiry, Companies C and D confirmed that the documents that Company A submitted in its bid, and which purportedly were issued by those companies, were not authentic. Additionally, in its response to INT's Show Cause letter, Company A stated that the documents at issue were not authentic.

¹ The IBRD and IDA are two of the five institutions comprising the World Bank Group. The IBRD and IDA constitute the World Bank. The IBRD, IDA, and the World Bank are used interchangeably throughout this Report.

2. Evidence indicates that Company B submitted false documents in its bid for the Contract.

Company B's bid included a manufacturer's authorization document and a declaration of goods quality, purportedly issued by Company E. Both documents purportedly were signed by someone identified as Company E's Manager (the Purported Manager).

However, in response to INT's inquiry, Company E informed INT that the documents submitted by Company B were not authentic. Company E also informed INT that the Purported Manager had never been an employee of Company E, but had only worked as a distributor for several years. INT then contacted the Purported Manager to verify the authenticity of his signature on the documents submitted by Company B. In response, the Purported Manager stated that s/he had not signed the documents, and confirmed that s/he had never been a manager at Company E.

3. Evidence indicates that Company B supplied used equipment for the Contract, even though it was required to supply unused goods.

The bidding documents for the Contract required suppliers to warrant that all the goods were new, unused, and of the most recent model. Company B supplied equipment (the Equipment) under the Contract.

Evidence indicates that the Equipment had been purchased and installed at Organization A, then sold by Organization A to Company A. Evidence further indicates that Company B bought this used Equipment from Company A and sold it to the HPIU. In response to INT's Show Cause letter, Company B claimed that it had not known the equipment was used.

Follow Up Action by the World Bank

The World Bank imposed a sanction of debarment with conditional release on Company A and Company B. The periods of ineligibility extend to any legal entity that is directly or indirectly controlled by Company A or Company B.