



**The World Bank Group
Integrity Vice Presidency**

Republic of Madagascar

Transport Infrastructure Investment Project

REDACTED REPORT

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Executive Summary

This report provides the findings of an administrative inquiry (the investigation) by the World Bank Group's Integrity Vice Presidency (INT) into allegations that Company A engaged in misconduct in the procurement of a contract under the Transport Infrastructure Investment Project in the Republic of Madagascar, including the submission of purportedly false statements of credit and false performance securities during the procurement process.

In the investigation, INT found evidence indicating that two false statements of credit and two false performance securities were submitted on behalf of Company A while it was bidding for rehabilitation works for Lots 3 and 4 on the Madagascar Northern Railway Network (the Contract).

Background

The objective of the Madagascar Transport Infrastructure Investment Project (the Project) was to rehabilitate the country's major transport infrastructure in order to reduce transport costs and to facilitate trade. The Project included the Northern Railway Investment Program, which is implemented by Madarail, and involves the upgrading, rehabilitation and maintenance of the Northern railway line. The Project, which became effective in March 2004, and which closed in June 2012, was financed by an initial credit of US\$150 million and an additional financing of US\$15.6 million.

As part of the program, Madarail, launched tenders for small rehabilitation works on the Madagascar Northern Railway Network. In response, in June 2008, Company A submitted bids for Lot 3 and Lot 4 of Bid No.1. It was subsequently awarded Contract No. 2 (the Contract) which comprised both lots.

Allegations and Methodology

In April 2010, INT was informed of allegations of submission of fraudulent documents in the procurement and implementation of contracts under the Project. Madarail verified that it had received false statements of credit and performance securities, purportedly issued by Bank X, on Company A's account.

To conduct the investigation, INT reviewed and analyzed the procurement and contract documents, corresponded directly with Company A and with Bank X, and obtained independent verification of the alleged false documentation.

Findings

INT's investigation found evidence indicating that:

1. False statements of credit were submitted in Company A's bid for the Contract

The Instructions to Bidders (ITB) issued by Madarail required that in order to meet the minimum qualifying criteria, bidders should provide documentation demonstrating access to a line of credit of no less than 25,000 Euros. In response, Company A submitted two separate bids for Lot 3 and Lot 4 of the contract, each containing a statement of credit. Both statements of credit were purportedly issued by Bank X in the amount of 60 million Malagasy Ariary.

2. False performance securities were submitted on behalf of Company A in its bid for the Contract

In July 2008, Company A was awarded the contract. As dictated by the contract conditions, the invitation to bid required the bidders to provide a Performance Security worth 5% of the contract price. Company A provided two performance securities dated August 2008. Both performance securities were purportedly issued by Bank X in the amount of 3,706,500 Malagasy Ariary.

Subsequently, INT obtained independent confirmation from Bank X that it had not issued either of the two statements of credits submitted by Company A for its bid, nor had it issued either of the two performance securities submitted by Company A in support of the Contract. Furthermore, Bank X informed INT that the signatures of the Bank representatives were forgeries and that neither of the statements of credits and the performance guarantees appeared in its records.

INT Action

Subsequent to this investigation, Company A has been debarred by the World Bank Group for a three-year period for engaging in fraudulent practices. The period of ineligibility of Company A extends to any legal entity that it directly or indirectly controls.