Republic of Albania

Municipal Water and Wastewater Project

Redacted Report

July 23, 2012
Statement of Use and Limitations

This Report was prepared by the World Bank Group’s (Bank’s) Integrity Vice Presidency (INT). It provides the findings of an INT administrative inquiry (the investigation) into allegations of corrupt, fraudulent, collusive, and/or coercive practices, as defined by the Bank, regarding one or more Bank-supported activities.

The purpose of the investigation underlying this Report is to allow the Bank to determine if its own rules have been violated. This Report is being shared to ensure that its recipients are aware of the results of the INT investigation. However, in view of the specific and limited purpose of the investigation underlying this Report, this Report should not be used as the sole basis for initiating any administrative, criminal, or civil proceedings. Moreover, this Report should not be cited to in the course of any investigation, in any investigation reports, or in any administrative, civil, or criminal proceedings.

This Report is provided without prejudice to the privileges and immunities conferred on the Bank and its officers and employees by its Articles of Agreement and other applicable sources of law. The Bank reserves the right to invoke its privileges and immunities, including at any time during the course of an investigation or a subsequent judicial or other proceeding pursued in connection with this matter.
Executive Summary

This Redacted Report (the Report) provides the findings of the World Bank Group’s (Bank’s) Integrity Vice Presidency (INT) administrative inquiry (the investigation) into allegations that three privately-held companies, Company A, Company B, and Company C, colluded when bidding for a contract to construct an office building (the Contract) under the Bank-financed Municipal Water and Wastewater Project (MWWP) in the Republic of Albania.

INT found the following evidence indicating that Company A, Company B, and Company C (the Bidders) may have colluded when bidding for the Contract: (i) statements by sources suggesting that all three Bidders engaged in collusive behavior; (ii) the three bids contained a number of identical errors and physical similarities; and (iii) the bid prices (total and unit prices) of all three Bidders contained similarities strongly indicating coordination of bid prices.

INT also found evidence indicating that a project official may have had a conflict of interest between the Bidders and the Contract procurement process.
Background and Allegations

In March 2003, the Republic of Albania entered into a Development Credit Agreement under which the municipalities and water and wastewater companies of four cities signed respective Project Agreements with the International Development Association (IDA)\(^1\) to finance and implement the Municipal Water and Wastewater Project (MWWP). Under its performance-based management contract, a Private Operator was responsible for procuring and entering into contracts on behalf of the water utility companies.

MWWP is funded by an IDA Credit for approximately US$15 million and by two Japanese trust funds for approximately US$1.1 million. MWWP became effective in September 2003. Its closing date was in December 2009.

INT received allegations that, in May 2004, three companies, Company A, Company B, and Company C, colluded under a tender (the Tender) for a contract to construct an office building (the Contract) under MWWP. The Contract was financed by IDA funds.

Methodology

INT’s administrative inquiry (the investigation) consisted primarily of the review of Tender documents, the bids of Company A, Company B and Company C (the Bidders), and interviews of sources from Company A, Company B, and Company C.

Findings

INT found evidence indicating that:

1. **Company A, Company B, and Company C may have colluded when bidding for the Contract.**

The evidence obtained by INT indicates that the Bidders may have coordinated their bid prices to ensure that Company A won the Contract. The evidence consisted of: (i) statements by sources suggesting that all three Bidders engaged in collusive behavior; (ii) the three bids containing a number of identical errors and physical similarities; and (iii) the bid prices (total and unit prices) of all three Bidders with similarities indicating coordination of bid prices by the Bidders.

All three companies had close ties with one another during the bid submission. During an interview with INT, sources from one company admitted to knowing about the proximity of the bid prices between the three companies, and admitted further that the three Bidders all had made a mistake and should have been more careful. One source interviewed referred to the other two companies as “partners” or “business colleagues” and admitted that the companies informed each other of “common business interests.” A different source also admitted that a general collusive arrangement between the three companies existed. According to this source, the companies had a “gentlemen’s agreement” that if one of the three companies won a tender, it would not participate in the next tender or would deliberately submit a higher bid.

Furthermore, sources disclosed that for the Tender for the MWWP contract, Company C asked Companies A and B to purchase the Tender documents for Company A from the Private

\(^1\) The World Bank consists of the International Development Association (IDA) and the International Bank for Reconstruction and Development (IBRD).
Operator. The company that purchased Company A’s documents (either Company A or B) was reimbursed by Company C. This disclosure was corroborated by different sources.

All three bids shared many identical features. All of the bids had similar cover sheets and identical envelopes, and the same completed section on all three bids contained nearly identical information. Handwriting in another section on all three of the bids appeared to be from the same individual. One company source admits that Company A’s computer was the “original source of the bidding documents.”

Additionally, Company A and B’s bids showed several similarities. One section in both of the bids contained the same spelling errors and the first page of both bids contained the same incorrect contract number. On the second page of Company B’s bid, correction fluid was used to erase Company A’s name. Both bids also listed the same fax number.

Evidence indicates that the Bidders may have knowingly colluded with each other to establish bid prices at artificial, non-competitive levels. The difference between the total prices of the Bidders’ bids was insignificant. Eight sections of the Bidders’ bidding documents had several unit prices that either consistently differed among the Bidders’ bids or were identical. Additionally, Company A and Company B’s total bid prices for three out of the eight sections of the bidding documents were identical.

2. A project official may have had a conflict of interest.

During its review of the allegation of collusion, INT found evidence indicating that a project official may have had a conflict of interest with the Bidders while participating in the contract procurement process.

As a result of the INT investigation, the World Bank debarred all three Companies.