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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 that Company A may have engaged in misconduct in connection with a bidding process under the Emergency Northern Recovery Project (the Project) in Sri Lanka.

Evidence indicates that Company A submitted false bank guarantees in connection with six contracts under the Project. Specifically, Company A submitted six bank guarantees with its bids for the six contracts, and three additional bank guarantees after being awarded two of the six contracts. All nine guarantees were purportedly issued by a local bank. However, evidence indicates that none of the guarantees were issued by the local bank and, therefore, the guarantees were not genuine.

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

The Emergency Northern Recovery Project (the Project) in Sri Lanka aimed to support the government of Sri Lanka in its effort to return internally displaced persons to their original place of residence in the Northern Province and restore their social and economic life in order to create an enabling environment for resettlement. Company A submitted bids for six contracts under the Project and ultimately was awarded two contracts.

Allegations

After Company A was awarded two Project contracts, Project officials contacted a local bank (the Local Bank) to verify the authenticity of several bank guarantees submitted by Company A, which purportedly were issued by the Local Bank. The Local Bank replied that the documents were false. The Project officials cancelled Company A’s contract awards and reported the issue to the World Bank Group Integrity Vice Presidency (INT).

Methodology

INT’s investigation consisted of a review of Project documents, as well as documents and statements obtained from the Project officials and the Local Bank.

Findings

Evidence indicates that Company A submitted false bank guarantees in its bids for six contracts under the Project.

The bidding documents for the six Project contracts required bidders to submit a bid security with their bids. Accordingly, Company A submitted six bank guarantees, purportedly issued by the Local Bank.

The bidding documents also required that any successful bidder that was awarded a contract must submit a performance guarantee and, in some cases, an advance payment guarantee. Accordingly, after being awarded two contracts, Company A submitted two performance guarantees and one advance payment guarantee, all purportedly issued by the Local Bank.

After the contract awards, but prior to contract signature, the Project officials contacted the Local Bank to verify the authenticity of the nine bank guarantees submitted by Company A. The Local Bank replied that the documents were false. The Project officials cancelled Company A’s contract awards and reported the issue to INT.

During INT’s investigation, the Local Bank confirmed that it had not issued any of the nine guarantees submitted by Company A, and that the guarantees were false. INT sent a letter to Company A, requesting an explanation for the alleged misconduct. To date, Company A has not responded to INT’s inquiry.
Follow Up Action by the World Bank

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