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Executive Summary

This Redacted Report (the Report) summarizes the findings of an administrative inquiry (the investigation) by the World Bank Group’s (the Bank’s) Integrity Vice Presidency (INT) regarding a project implementation unit (PIU) of a Bank-financed Project in the Water Sector in Azerbaijan (the Project).

The PIU administered a procurement process for two Bank-funded contracts: (i) the first contract with a cost estimate of over US$55 million (PIU-01); and (ii) the second contract with a cost estimate of over US$50 million (PIU-02).

A consulting firm (the Consultants) was contracted to assist in the evaluation of bids including PIU-01 and PIU-02. During the bid evaluation process of PIU-01 and PIU-02, a representative of the Consultants informed the Bank’s Country Office in Baku of irregularities in the bid evaluation process.

INT’s investigation found evidence indicating irregularities in the way that PIU evaluated the bids and produced the Bid Evaluation Report (BER). Specifically, the PIU: (i) used prices in the BER that were different from those submitted by the bidders in their bids; (ii) provided copies of bids to the Bank that differed from the bids that were submitted by the bidders; (iii) may have concealed potential evidence of collusion between bidders that was identified by the Consultants; (iv) may have attempted to prevent the Bank from obtaining the Consultants’ bid evaluation findings; (v) may have attempted to persuade the Consultants to support findings that differed from the findings in their report; (vi) failed to follow the Bank’s standard procurement procedures; and (vii) made efforts to obstruct INT’s investigation.
Background

For the Project the relevant government agency contracted a consulting firm (the Consultants) to assist the relevant government agency and the PIU with bid evaluation. Under the Project, the PIU has administered procurement processes for two Bank-funded contracts: (i) the first contract with a cost estimate of over US$55 million (PIU-01); and (ii) the second contract with a cost estimate of over US$50 million (PIU-02).

Four prequalified companies submitted bids for PIU-01 and PIU-02: (i) Company A; (ii) Company B; (iii) Company C; and (iv) Company D. Before the PIU submitted its Bid Evaluation Report (BER) to the Bank, a representative of the Consultants met with Bank staff and expressed concerns over irregularities identified in their review of the bids. These irregularities included matching unit prices among bidders, switched bidding documents among bidders, and other abnormalities that were similar across bids. The representative of the Consultants provided the Bank with copies of relevant pages from the Consultants’ evaluation report that highlighted some of these issues.

After submission of the bids the Bank requested a copy of the bids and the Consultants’ evaluation report from PIU. One month after this request, the PIU provided the Bank with a copy of the bids. However, one day later, the PIU informed the Bank that the Consultants never prepared a report. The following week, Bank staff again met with the representative of the Consultants, who confirmed that the complete Consultants’ evaluation report was provided to the PIU before the Bank’s request, but that the PIU had since instructed the Consultants not to provide a copy of the report to the Bank or discuss any information about their evaluation with the Bank.

Methodology

INT conducted a mission in Azerbaijan, where it met with Bank officials, PIU officials, the Consultants, and representatives of the bidders to investigate the bid evaluation process for the PIU-01 and PIU-02 contracts.

Findings

1. The PIU used prices in the BER that differed from those submitted in the bids, even though the Consultants informed the PIU of the correct prices after first analyzing the bids.

The evidence indicates that the PIU used prices in the BER that differed from those submitted in the bids. When asked, the PIU officials and the bidders themselves claimed that the prices in the BER were the same as those submitted in the bids. However, more compelling evidence suggests otherwise.

After the bids were submitted to PIU, the Consultants were the first to review the bids and prepare an evaluation report. Accordingly, the price schedules discussed in the Consultants’ evaluation report can be considered accurately reflective of the original price schedules. The Consultants’ detailed evaluation states that each bid included a contingency line item on the “Grand Summary” page for the PIU-01 and PIU-02 submissions. The contingencies added a value between 6% and 8%, depending on the bidder, to the prices of each bid. In their report, the Consultants treated this entry as an “arithmetical error” and deducted the value from the final prices. The Consultants’ full report sent to the PIU discussed the deletion of the contingency “arithmetical errors” and the resulting computation of discounted prices. However, in the price schedules found in the BER that the PIU submitted to the Bank, the contingency
line item costs had been removed. These new price schedules also included some unit prices that were higher than the unit prices found in the original price schedules. For three of the four bids reviewed, the new unit prices served to offset the removed contingency costs in a way that made the final summary prices of the bids stay the same. In the fourth bid, the new unit prices resulted in a higher total price for the bid.

2. **The PIU provided the Bank with copies of bids that differed from the bids submitted in the tender.**

   The evidence indicates that the PIU provided the Bank with copies of bids that differed from the bids originally submitted in the tender. Three days after receiving the BER from the PIU, the Bank requested that PIU provide it with copies of the bids. Not until ten days later did the PIU provide the bids to the Bank. In the bids, the price schedules differed from the price schedules first reviewed by the Consultants in the original bids.

3. **The PIU may have covered up potential evidence of collusion between bidders that was identified by the Consultants.**

   The Consultants noted three possible indicators of collusion between bidders in their report. First, the Consultants found the construction drawings of Company B in the bid documents of Company D, which suggests that the two companies prepared their bids together. INT finds the Consultants’ statement about the misplaced drawings to be credible based on the same factors of credibility discussed in Finding 1 of this Report. Second, the Consultants noted that it was suspicious that all bidders included contingency prices even though such prices were not requested in the bidding documents. Third, the Consultants noted that it was irregular that a “considerable number” of individual prices of Company A and Company B in PIU-02 were exactly the same, something the Consultants had not seen in their experience. PIU did not discuss any of these issues in the BER and removed all three issues from the revised copies of the bids that it submitted to the Bank.

4. **The PIU may have attempted to prevent the Bank from obtaining the Consultants’ evaluation report.**

   Evidence suggests that, after the Bank inquired about the accuracy of the BER, the PIU attempted to prevent the Bank from obtaining the Consultants’ evaluation report by refusing to provide the report to the Bank, and by telling the Consultants not to release it. Evidence collected by INT shows that the Consultants completed and delivered a written report to the PIU, but the PIU refused to honor the Bank’s request for the report. Thereafter, Bank staff asked the representative of the Consultants to submit the Consultants’ evaluation report directly to the Bank, and the representative of the Consultants responded that the PIU had given specific instructions not to do so. The representative of the Consultants provided the same account to INT. After this, the representative of the Consultants again told the Bank that the PIU officials had instructed not to submit the report or tell the Bank about the Consultants’ evaluation.

5. **The PIU may have attempted to persuade the Consultants to support BER findings that differed from their own findings.**

   Evidence suggests that PIU asked the Consultants to approve the BER, even though the BER did not accurately reflect the information submitted in the bids. The representative of the Consultants said that, when reviewing the BER, it was discovered that PIU had not considered the Consultants’ conclusions because the BER used the higher bid prices and not the prices that the Consultants discounted after removing contingency costs. The representative of the Consultants sent an e-mail to PIU which
stated that they would not endorse the BER sent to them by the PIU and would only stand by their original BER.

6. **In producing the BER, the PIU failed to follow the Bank’s standard bid evaluation procedures.**

   The PIU failed to follow at least three standard procedures when producing the BER. First, the members of the Bid Evaluation Committee (BEC) did not participate in PIU-01 or PIU-02, although they were established to play a role in evaluating the bids. In fact, none of the BEC members speak English and the bids were written in English. Second, even though the BEC members were supposed to sign the BER pursuant to standard Bank practice, they did not. Third, the BER stated that the bidders, who were deemed responsive, did not submit preliminary designs as required in the bidding documents. This should have been the basis for a finding of technical non-responsiveness.

7. **The PIU made efforts to obstruct INT’s investigation.**

   In addition to the misleading statements that the PIU provided to INT during its investigation, the evidence suggests that the PIU made various efforts to obstruct INT’s investigation. First, the representative of the Consultants told INT that a PIU official asked, in a phone conversation, not to tell INT that the Consultants had taken copies of the bids on bid opening day. INT corroborated this claim when interviewing another representative of the Consultant. During that interview, this representative of the Consultant was surprised to hear that the PIU had said that the Consultants never took copies of the bids and called a PIU official to clarify. INT overheard this phone conversation and documented that this other representative of the Consultant asked the PIU official why the PIU had stated this. The PIU official told the other representative of the Consultant to speak to the representative of the Consultants about “how to handle this issue” and to “[k]eep in mind you did not pick up any package from us.” Such statements suggest that the PIU attempted to mislead INT into believing that the Consultants never took and reviewed copies of the bids.

   Furthermore, during interviews that INT conducted with PIU officials, the officials were not fully cooperative. They allowed INT to review some incoming e-mails on the PIU’s computer. However, when asked, they refused to let INT review other key e-mails reportedly sent to them by the representative of the Consultant, even when it would have been effortless to conduct a search for those e-mails.