

Plurinational State of Bolivia

National Land Administration Project

REDACTED REPORT

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Executive Summary

This report presents the results of an administrative inquiry (the investigation) by the World Bank Group's (the Bank) Integrity Vice Presidency (INT) into allegations that a company (the Company) engaged in fraud and corruption when competing for a Bank-financed contract under the Bolivia National Land Administration Project (BNLAP).

INT's investigation found evidence indicating that, in its BNLAP bid, the Company: (i) misrepresented its past annual sales volume; (ii) misrepresented the value of a prior contract that was awarded to it and which was similar to the one for which it was bidding; (iii) fabricated its financial statements to conceal losses in a fiscal year relevant to the tender; and (iv) submitted a forged bid security.

INT's investigation also found circumstantial evidence that, in INT's view, suggests that the Company may have engaged in a corrupt practice in exchange for winning the contract. This evidence was that: (i) a single project official, over the objections of other officials, pushed for the award of contract to the Company; (ii) the bidding process seems to have been steered significantly and improperly to favor the Company; and (iii) criticism of the Company's bid was excluded from the Bid Evaluation Report.

Background

BNLAP sought to: (i) improve the efficiency and transparency of the Bolivian land administration system; (ii) clarify the country's land tenure situation; (iii) identify land suitable for the establishment of small farms; and (iv) promote a more suitable use of Bolivian land resources. The BNLAP was financed by an International Development Association (IDA) Credit of approximately US\$20 million, and a subsequent US\$6 million in supplemental IDA financing. The BNLAP became effective on December, 1995 and closed in June, 2005.

In 2004, the Bank's BNLAP Task Team asked INT to review the bidding process through which a BNLAP-financed contract had been awarded to the Company. INT investigated allegations that the Company had: (i) misrepresented its prior experience and submitted fabricated financial statements and a forged bid security in its bid for a BNLAP contract; and (ii) paid bribes to project officials in exchange for receiving that contract.

Methodology

INT's investigation consisted of: (i) reviewing relevant project and bid documents, documents related to past contracts referenced in the Company's BNLAP bid, and documents related to a criminal trial of the Company's owner; and (ii) interviewing the complainants, many of the project officials involved in the tender, losing bidders, and certain employees of the Company.

Findings

1. Evidence indicates that the Company falsified bid information and submitted fraudulent documents with its bid in order to qualify for the award of a BNLAP contract.

The BNLAP bidding documents required bidders to: (i) state their annual business volume for the two preceding years; and (ii) represent that they had business volume in excess of a certain sum in any of the previous three years. The Company's bid stated its invoice totals for the two preceding years, both of which as stated exceeded the business volume requirement. However, the Company's sales books list its invoice totals for those two years well below the business volume requirement. It therefore appears that the Company inflated both years' invoice figures to meet the bidding requirements. INT also discovered that in its bid, the Company misrepresented the value of one of the contracts comprising the Company's prior experience. INT learned this information from the international organization that financed this prior contract.

Moreover, the Company submitted two other sets of false documents with its bid:

- The Company submitted a set of falsified financial statements for a fiscal year relevant to the tender, in that it concealed its losses during that year. The falsification was discovered by auditors reviewing the Company's financial records during a criminal investigation of its owner.
- The Company submitted a bid security purportedly issued by a certain bank. The security bore a seal regularly used by that bank to acknowledge the receipt of documentation and a signature allegedly belonging to a low-ranking representative of that bank. INT presented this bid security to that bank, and upon reviewing it, that bank replied that it had not been approved by the corresponding unit of that bank, and, moreover, that the bid security was printed on the wrong form. On this basis, that bank concluded that it had not officially issued the security.

2. In INT's view, evidence suggests that the Company may have engaged in corrupt practices to secure the award of the contract.

Project officials and several of the Company's competitors told INT investigators that they had heard rumors that the Company had paid kickbacks to project officials in exchange for receiving the BN LAP contract. Although these witnesses were unable to provide INT with direct evidence of corruption, INT's investigation nevertheless found the following circumstantial evidence that, in INT's view, strongly suggests that the Company may have engaged in a corrupt practice:

Evidence indicates that the procurement process may have been heavily influenced by a single individual. Several project officials each independently told INT investigators that they had serious concerns about the Company's qualification for the contract award and the Company's capacity to implement the contract. They also noted that the Company's stated contract implementation methodology appeared to have been copied from the terms contained in the bidding documents. However, each of these project officials stated that one of their colleagues argued persistently to award the contract to the Company and they eventually conceded to this project official's pressure.

Evidence indicates that the procurement process may have been manipulated to favor the Company. INT's investigation revealed two sets of evidence suggesting that the bidding process was manipulated to favor the Company. First, three missing elements in the Company's bid were overlooked. Contrary to requirements stated in the bidding documents, the Company's bid failed to: (i) show that it had access to sufficient lines of credit; (ii) indicate whether it had any pending legal disputes; and (iii) demonstrate that it satisfied prior experience requirements. The Company also failed to submit an authorization to request its banking references, and instead included an authorization to request the references of its owner. Despite these numerous omissions, the Company was recommended for the award of contract.

Second, the bidding document criteria appear to have been applied more favorably to the Company than to other bidders. INT investigators observed this apparent favoritism in five areas:

- The Company was afforded an opportunity to clarify whether it had access to sufficient lines of credit, while other similarly situated bidders were not afforded the same opportunity.
- Project officials accepted the Company's authorization to request the references of its owner, in lieu of authorization to request references for the Company. However, similar flexibility was not provided to another bidder that had provided similarly non-responsive request authorizations.
- Several project officials told INT investigators that the prior experience requirement was purposefully relaxed when evaluating the Company's bid, but this requirement was not relaxed for other bidders. As a result, another bidder was disqualified for lack of experience when its past work was equivalent to that of the Company.
- Project officials disqualified several other companies' bids for bid security problems but failed to notice that the Company's bid security was forged, despite the fact that the security was presented on an improper form of the bank purported to have issued the security.
- Project officials appeared to have overlooked missing elements of the Company's bid, yet they excluded another bidder for purportedly failing to include required documents in its bid. When INT investigators reviewed the bid of this other bidder, they found that it in fact contained the purportedly missing documents.

Evidence suggests that the Bid Evaluation Report was revised to omit all criticism of the Company's bid. As noted above, several project officials each independently told INT investigators that they had serious concerns about the Company's qualifications. Consistent with their statements, a draft Bid Evaluation Report (BER)—while recommending the disqualification of several other bidders and the award of the contract to the Company—stated that the Company's proposed methodology was very basic and failed to specify how the Company would perform certain tasks described in the contract's technical specifications. In contrast, the final BER omitted this criticism and instead replaced it with a conclusion that the Company's methodology satisfied all of the bidding requirements.

Summary. The above evidence does not directly prove that the Company offered or made corrupt payments in exchange for winning the BNLAP contract. However, in INT's view the evidence suggests that, based on pressure exerted by one individual, project officials went to great lengths to favor the Company, disfavor or reject other bidders, and remove criticism of the Company's bid from the BER.

Actions Taken by the Bank

As a result of the investigation, INT initiated sanctions proceedings against the Company and its owner. Consequently, the Bank debarred both, the Company and its owner, for a period of four years.