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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 two companies, Company A and Company B, may have engaged in misconduct in connection with the bidding process under the World Bank-financed Kenya Electricity Expansion Project (the Project) in the Republic of Kenya.

Evidence indicates that Company A and Company B submitted false financial documents with their bids for a contract under the Project. Specifically, Company A submitted a bid security purportedly issued by a local bank. However, during INT’s investigation, the local bank informed INT that it had not issued such bid security.

For the same contract, Company B submitted a series of financial statements representing its total revenue and average construction turnover. However, Evidence indicates that Company B inflated the relevant information. During INT’s investigation, Company B admitted that it had submitted false financial information with its bid in order to meet the qualification criteria contained in the bidding documents for such contract.

The World Bank imposed a sanction of debarment with conditional release on Company A and Company B.
Background

The Kenya Electricity Expansion Project (the Project) in the Republic of Kenya aims to increase the capacity, efficiency, and quality of electric supply, and expand access to electricity in urban, peri-urban, and rural areas. The Project is financed by two International Development Association (IDA)\(^1\) credits.

The Project Implementation Entity (PIE) issued the bidding documents for a contract (the Contract) under the Project. Two companies, Company A and Company B, submitted bids for the Contract.

Allegations

As part of the bid evaluation process, PIE sent a letter to a local bank (the Local Bank), seeking a confirmation of the authenticity of bid securities purportedly issued by the Local Bank. Shortly thereafter, the Local Bank informed PIE that the bid securities submitted by Company A had not been issued by the Local Bank. PIE requested the World Bank Group’s Integrity Vice Presidency (INT)’s review of the procurement process for the Contract.

Methodology

INT’s investigation consisted of, among other things, a detailed review of Project documents as well as documents and statements obtained from Company B and the Local Bank. Company A refused INT’s interview request and never responded to correspondence that INT sent to Company A.

Findings

1. Evidence indicates that Company A submitted a false bid security with its bid for the Contract.

The bidding documents for the Contract required that bidders submit a bid security with their bids. Accordingly, Company A submitted a bid security purportedly issued by the Local Bank.

During its bids evaluation, PIE contacted the Head of the Local Bank, who was the purported signatory of Company A’s bid security. Evidence shows that the Head of the Local Bank stated that he/she had never signed the bid security and the Local Bank had not issued such document. Evidence further shows that the Head of the Local Bank confirmed this statement during INT’s investigation.

Company A refused INT’s interview request and never responded to INT’s letter asking for an explanation of the situation.

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\(^1\) IDA is one of the five institutions comprising the World Bank Group. The International Bank for Reconstruction and Development (IBRD) and IDA constitute the World Bank. Therefore, IDA and the World Bank are used interchangeably throughout this Report.
2. Evidence indicates that Company B submitted false financial statements with its bid for the Contract.

The bidding documents for the Contract required that bidders submit balance sheets for certain years in order to demonstrate the current soundness of the bidder’s financial position. Accordingly, Company B submitted with its bid a series of financial statements, representing its total revenue for the previous five years and an average construction turnover during this period.

During the investigation, INT identified other bids submitted by Company B under another project in Kenya. INT compared the financial statements Company B had submitted for this other Kenyan project with the financial statements Company B had submitted in its bid for the Project. INT identified several material discrepancies in the same financial information submitted by Company B in the aforementioned two bids for the Project and the other Kenyan project.

INT met with Company B and requested its audited financial statements for the previous five years. Company B was only able to provide audited financial statements for the previous three years. However, evidence suggests that the information in the audited financial statements was inconsistent with the information Company B submitted with its bid for the Contract. Company B admitted that it had submitted false financial information with its bid in order to meet the qualification criteria contained in the bidding documents.

**Follow Up Action by the World Bank**

The World Bank imposed a sanction of debarment with conditional release on Company A and Company B.