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

The Malaria Control Project (MCP) in India was designed to introduce improved malaria control methods to India’s existing anti-malarial program, and to provide capacity-building support to that program. The Project ran from 1997 to 2005, and was principally funded by an International Development Association (IDA) credit.

Beginning in September 2006, the World Bank’s Integrity Vice Presidency (INT) conducted a Detailed Implementation Review (DIR) of various India health projects, including the MCP. Among the issues raised by the DIR were various allegations of collusive practices undertaken by four bidders: Companies A, B, C, and D. Specifically, it was alleged that these putatively independent firms were in fact closely linked, and had prepared what appeared to be competing bid submissions on mosquito bed net supply contracts in concert with one another.

INT conducted an administrative inquiry (the investigation) into these allegations as follow-up to the DIR. As part of its investigation, INT interviewed representatives of Companies A and B, and of multiple other firms that bid on the contracts at issue. INT also reviewed available documentation related to the relevant tenders.

INT’s investigation found evidence indicating that Companies A-D functioned in lockstep throughout a four year period. They used the same office addresses and phone numbers, a fact that Company B’s proprietor asserted that he did not know. The bid documents from the four firms showed identical formatting, their bid securities were sequentially ordered from the same bank, and contemporaneous documents show them describing themselves as a single family of firms. Moreover, Company A acknowledged that the family patriarch directed it on how to bid on the tenders.

Ultimately, the evidence indicates that Companies A-D prepared and submitted bids in concert, including on three MCP bed net tenders in which the firms were purportedly competing against one another.
Background

**Malaria Control Project.** The Malaria Control Project in India (MCP) was designed to introduce improved malaria control methods to India’s existing National Malaria Eradication Program (NMP), and to provide capacity-building support to the NMP. The Project, approved in 1997, was budgeted to cost US$203.9 million, of which 85 percent (US$173.3 million) would be covered by an International Development Association (IDA) credit with the remaining 15 percent (US$30.6 million) to be covered by the Government of India. The MCP was extended four times to facilitate completion, and ultimately closed on December 31, 2005.

Companies A-D are four firms that bid on contracts under the MCP were all owned and/or managed by members of the same family – two sons and a nephew of the same individual.

**Detailed Implementation Review.** Beginning in September 2006, the World Bank’s Integrity Vice Presidency (INT) conducted a Detailed Implementation Review (DIR) of various India health projects, including the MCP. The DIR targeted high-risk areas of each project for review, and found widespread indicators of fraudulent and corrupt practices in the award of contracts, including collusion among bidders. As part of INT’s follow-up to the DIR, INT conducted a further review of the bidding practices of, and relationships between, Companies A-D.

Methodology

The INT administrative inquiry (the investigation) consisted of a review of relevant project documentation, as well as interviews with representatives of Companies A, B, and other bidders on the MCP bed net contracts. INT also reviewed relevant correspondence and Project background information.

Findings

INT’s investigation uncovered evidence indicating that Companies A-D prepared and submitted their bids in concert on three MCP bed net tenders in which the firms were purportedly competing against one another. The evidence indicated that they functioned in tandem throughout a four-year period during which these tenders occurred.

This section addresses, in turn, the tenders on which the firms bid; evidence of links between the firms; and the firms’ own versions of events.

Tenders

a. **Tender 1**

Tender 1 regarded a contract to supply over 50,000 mosquito bed nets for delivery to various locations across India. Companies A and C both submitted bids on this contract, as did sixteen other bidders. Company A’s per-unit bid price was approximately Rs. 50 less than Company C’s per-unit bid price. The procurement support agency ultimately awarded the contract to another bidder.

b. **Tender 2**

Tender 2 regarded a contract to supply over 300,000 mosquito bed nets for delivery to various locations across India. Company C and nine other bidders submitted bids on this contract; Companies A, B, and D did not bid. Company C’s bid price was in the middle of the responsive bidders, and the procurement support agency awarded the contract to another company.
c. Tender 3

Tender 3 regarded multiple contracts to supply, in total, over 200,000 mosquito bed nets to various locations across India. Company A submitted a bid for all of the contracts, proposing to supply bed nets produced by Company B. Company A’s bid submission contained performance certificates issued by various firms, attesting to the delivery by Company B of bed nets; one of these was from Company C. Company A’s bid was signed by two unnamed “Authorized Signatories” of Company A, but in an apparent error, the stamp of one of the signatories indicated that the signatory was empowered to sign on behalf of Company C instead of Company A.

Companies B, C, and D did not bid on this contract, and the Bid Evaluation Committee (BEC) recommended awarding all schedules to another firm.

d. Tender 4

Tender 4 regarded multiple contracts to supply mosquito bed nets at various locations across India. Company A bid for all of the contracts in the tender; Company B bid for one of the contracts; Company C bid for four of the contracts; and Company D did not bid in the tender. As a result, Companies A and B competed against each other for the same contract once, and Companies A and C competed against each other for the same contract four times.

Companies A and C bid the same unit price for all of the contracts, while Company B bid a price Rs. 2 lower. However, Company C’s bids were not considered for eligibility reasons. The BEC ultimately recommended awarding two contracts to Company A, for the delivery of approximately 250,000 mosquito bed nets to two Indian states for a combined value of approximately Rs. 20 million (US$430,000). The BEC also awarded one contract to Company B, to deliver approximately 350,000 bed nets for approximately Rs. 30 million (US$650,000).

e. Tender 5

Tender 5 regarded multiple contracts to supply mosquito bed nets at various locations across India. Companies A and B each bid for four of the contracts, and Companies C and D each bid for two of the contracts. As a result of their multiple bids, the companies competed against each other for three contracts:

- Companies A and C competed for one contract, with Company C offering a per-unit bid price that was Rs. 0.1 (0.001 percent) less than Company A;
- Companies A and D competed for one contract, with Company D offering a per-unit bid price that was Rs. 1.75 (2 percent) less than Company A; and
- Companies B and D competed for one contract, with Company B offering a per-unit bid price that was Rs. 1.4 (1 percent) less than Company D.

Ultimately, the procurement support agency awarded two contracts to Company A, to deliver approximately 700,000 bed nets for approximately Rs. 60 million (US$1.3 million). The procurement support agency also awarded four contracts to Company B, to deliver approximately 1.2 million bed nets to six Indian states for approximately Rs. 115 million (US$2.5 million).
Evidence of Links between the Firms

Through interviews and site visits, and the examination of business documents and bid documents, INT investigators were able to adduce numerous pieces of evidence indicating that the four companies, represented to be independent and in competition, in fact shared addresses, phone numbers, document templates, and management structures. Indeed, for a period of several years Companies A and B were considered part of Company D’s group of firms.

a. Familial Relationships

As noted above, the heads of the four companies are either brothers or cousins: the proprietor of Company B is the brother of the proprietor of Companies C and D; and the two proprietors of Companies B, C, and D are the cousins of the proprietor of Company A. The proprietor of Company A said that textiles are a family business that has been passed down from generation to generation.

However, despite the businesses’ familial connections, the proprietor of Company A stated that the firms did not engage in any collusive practices and, instead, regularly competed against each other. He also asserted that Companies A-D were owned and managed separately, with their own facilities and employees. He claimed that there was a split in the family, that control of the various entities was separated and allocated amongst the family members, and that the two brothers engaged in a “fierce” legal battle over assets.

b. Cross-Ownership and Directorships

Between Tenders 4 and 5, Company D’s website listed Companies A, B, and C as Company D “Group Companies.” This page appears to have been removed from the website sometime later.

The proprietor of Company A said that he periodically provided professional support to Company C and that all family members had served on the Boards of Company D’s primary shareholding firms. He told INT investigators in February 2009 that he is still on the boards of firms belonging to his cousins.

c. Physical Addresses and Telephone Numbers

Companies A-D appear to have worked out of the same compounds or same buildings (using the same phone lines) long after their respective principals stated that they had parted ways.

i. Address 1

Companies A, B, and C all used neighboring addresses on the same street. Indeed, they appear to have used the addresses almost interchangeably:

- Companies A and B both submitted bid papers identifying Address 1 as a firm office. Company A did so over a three year period, and a Company B bid security used the same address during that time period.
- Companies A, B, and C all listed Address 1 as a firm office in their bid securities during the same three-year period.
- Company C listed Address 1 as its main office address in documents submitted in two different years. The proprietor of Company B identified Address 1 in an interview with INT investigators as his headquarters.
• When INT investigators visited the street, they noted that Address 1 bore a single nameplate containing the names of the two brothers who managed Companies B, C, and D.

• Companies A, B, and C all listed the same telephone numbers as their main office phone lines. Companies A and B did so in Tenders 4 and 5, while Company C did so in Tenders 1, 2, and 5. Each also listed the same fax line number: Company C in Tenders 1 and 2; and Companies A and B in Tenders 4 and 5.

  ii. Address 2

Companies A, B, and D used Address 2, which was identified on Company D’s stationery as “[Company C] House.” The proprietor of Company A told INT investigators that the family businesses also occasionally shared infrastructure, such as phone numbers and office space. For example, INT’s first interview with the proprietor of Company A was conducted at Address 2. The wife of the proprietor of Companies C and D was listed on the nameplates at Address 2.

  iii. Address 3

Company B listed Address 3 as its factory site over a two-year period. Company C used the same address as its office address in some tax documents before and during those years, and used the address as its principal works address during the same two years that Company B said the address was its factory site.

  iv. Address 4

Company C listed Address 4 as its factory address; two years later, Company B listed the same address as its office address.

  v. Address 5

In the same year Address 5 was both Company A’s listed address and the address used by a Company C affiliate when it certified performance for Company B. The Company C affiliate was listed in Company D’s stock prospectus as a firm managed by one of Company D’s Directors.

d. Bid Document Form and Content

Companies A-D submitted bids and bid documents with similar or patterned form and contents, indicating that the firms prepared the documents in concert with one another. Evidence of these similarities and patterns included the following:

  Identical Formats

• Companies A, B, and C submitted bids with identical bid cover letter formats in Tender 4.

• Companies A, B, and C submitted identically-formatted affidavits in response to a procurement support agency query in Tender 5. Although the procurement support agency had proposed affidavit language, the three companies’ submissions each differed in identical ways (in spacing around slash-marks, and in omitting one comma). Companies B and C also provided virtually the same address for their operations — one company added an “A” to the street number. The one key difference between the three companies’ submissions was that while the procurement support agency form called for the deponent to identify his parentage, the two brothers who manage Companies B and C omitted this language from their affidavits.
**Sequential Bid Securities from the Same Bank**

- All four companies submitted sequentially-numbered bid securities from the same bank to support their bids in Tender 5. All were dated on the same date, which was the day before bid opening.
- Companies A, B, and C submitted sequentially-numbered bid securities from the same bank to support their bids in Tender 4.
- Companies A and B submitted sequentially-numbered bid securities from the same bank to support their bids in Tender 1.

INT investigators met with officials of the bank that issued all of these securities, and a bank representative stated that: (a) the bank issues 15 to 20 securities in a typical month; (b) the likelihood of any two customers' bid securities being coincidentally sequential is very remote; and (c) the bid securities submitted by the four companies, which INT investigators showed him, were genuine. The bank representative added that, during the time of all five of the aforementioned tenders, Companies A-D were “together,” and one person would come to him to request bid securities on behalf of all four firms. Another bank representative told investigators that approximately fifty firms applied for bid securities from the bank between 2000 and 2004.

**Identical or Very Close Unit Prices**

- Companies A and C both bid an identical unit price in Tender 4. In the same tender, Company B bid a unit price just Rs. 2 lower.
- Companies A and B both bid an identical unit price in Tender 5. In the same tender, Company C bid a unit price Rs. 0.1 lower than Company A for one contract, but bid a unit price Rs. 4.1 higher for another contract under the same tender. Similarly, Company D bid a price just below Company A for one contract under the tender, but then bid a unit price Rs. 3 higher for another contract under the tender (which was just above the unit price of Company B’s bid for that contract).

**Signature Block Error**

As noted above, the authorizing signature on Company A’s bid for Tender 3 bore the stamp “authorized to sign for [Company C].” It is unclear whose signature actually appears above the stamp.

**Interviews of the Companies**

INT investigators interviewed the leading officials of Companies A and B. (Despite numerous attempts, INT was unable to schedule an interview with the proprietor of Companies C and D.) The proprietors of Companies A and B stated that their firms were independent from one another, and from Companies C and D. Both men also provided information on the historical relationship between the firms, and offered their explanations for the factors that suggest the firms are still linked.

**i. Company A**

As noted above, investigators interviewed Company A’s proprietor on multiple occasions. These interviews covered a variety of subjects, including Company A’s relationships with Companies B, C, and D.

Company A’s proprietor told INT investigators that Companies B, C, and D formerly were managed together as Company D group firms, but that they had ceased joint business operations.
INT investigators also asked Company A’s proprietor about the consecutive bid securities submitted by Companies A, B, and C in Tender 5. He responded that he believed such sequencing to be common where bidders on the same contract shared a bank, as these firms did. He said it is logical for contractors to visit the bank on the last day before a bid, to be sure they do not tie up funds earlier than necessary.

When it was suggested that Company A and the other firms may have colluded, the proprietor asked how Company A was to benefit from colluding with one or two other firms if the bid remained open to any competing bidder. He also asked how Company A was to benefit by arranging to offer the same price as a fellow colluder.

**ii. Company B**

Investigators interviewed Company B’s proprietor. He told INT investigators that although he is related to the proprietors of Companies A, C, and D by blood, there was no relationship between Company B and their firms. The proprietor of Company B confirmed that he was involved in a dispute with the proprietor of Companies C and D over assets. He also stated that he knew nothing about Company A, though he had served on the board of Company D for a number of years.

The proprietor of Company B initially denied knowing where Company A’s and C’s offices were located. When INT investigators noted that the address he provided for Company B was the same as that listed for Company C and doors down from Company A, he responded by stating that businesses in India are poor, and the fact of their location did not mean that they were not independent firms. He said that he believed that Company C never actually had an office at the common address.

When asked about possible collusion, the proprietor said that bids were open to everyone, so it is unclear how any two or four firms would benefit by colluding with one another. He noted that prices for bed nets have gone down over time, not up, and said that the sequential bank securities were a coincidence brought on by a tendency of firms to go to the bank for securities on the last possible day.