People's Republic of China

Anhui Highway Rehabilitation and Improvement Project

REDACTED REPORT

13 January 2012
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 for the purposes of its own policies, rules and procedures (the Bank’s framework regarding anti-corruption), in relation to 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. For the same reason, 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 Anhui Highway Rehabilitation and Improvement Project (the Project) in the People's Republic of China was designed to increase the effective use of the road infrastructure in Anhui Province and to support its social and economic development, with lower costs and improved safety. The Project became effective in 2008, is scheduled to close in 2012, and is financed by the International Bank for Reconstruction and Development (IBRD).

In April 2009, the World Bank's Integrity Vice Presidency (INT) received an allegation that Company X, which bid for two contracts under the Project, submitted falsified bid securities to support its bids. Upon receiving the allegation, INT reviewed relevant procurement and project documentation, as well as communicated with relevant parties on this Project, including Company X. INT found evidence indicating that Company X submitted false bid securities under the Project.
Background

The Anhui Highway Rehabilitation and Improvement Project (the Project) in the People’s Republic of China was designed to increase the effective use of the road infrastructure in Anhui Province and to support its social and economic development, with lower costs and improved safety. The Project became effective in 2008, is scheduled to close in 2012, and is financed by the International Bank for Reconstruction and Development (IBRD).

One component of the Project is for road improvement. In 2008, the project implementing agency (the Agency) launched a tender for three civil works constructions (Contract 1, 2, and 3) under this road improvement project.

Company X submitted bids for Contract 1 and 2, and included two bid securities, Bid Security A and Bid Security B respectively, to support its bids. These bid securities were claimed to be issued by Bank B (the Issuing Bank).

During the bid opening, the Agency noticed that the Issuing Bank had issued a Performance Security to another company and for a different contract under the same Project. This Performance Security had an identical serial number as the Bid Security A submitted by Company X for Contract 1. Following an inquiry with the Issuing Bank, the Agency found that Bid Security A was not issued to Company X for Contract 1 and the other bid security submitted by Company X, Bid Security B, for Contract 2 was not valid. The Agency rejected both of Company X’s bids as a result, and proposed to the Provincial authorities that Company X be banned from participating on World Bank financed projects in Anhui Province for two years.

Allegations and Methodology

In April 2009, INT received an allegation that Company X submitted falsified bid securities in support of its bids for Contract 1 and Contract 2 for the civil works construction under the Project. Consequently, INT conducted an investigation consisting of a review of relevant procurement and project documentation, as well as communication between the Agency, the Issuing Bank, and Company X.

Findings

Evidence indicates that Company X submitted false bid securities.

In September 2008, the Agency requested the Issuing Bank to confirm that Bid Security A and Bid Security B were in fact issued in favor of Company X. The Issuing Bank subsequently confirmed issuing the Original Bid Security B to Company X for Contract 2 but it denied issuing Bid Security A for Contract 1. The Issuing Bank further confirmed that the copy of Bid Security B which was submitted by Company X for Contract 2 was “inconsistent” with the Original Bid Security B that it had issued.

Additionally, the Tendering Agent for the Project (the Tendering Agent) had noticed inconsistencies and differences in the fonts and signature between Bid Security B submitted by Company X and the Original Bid Security B provided by the Issuing Bank.

Upon request from the Tendering Agent to confirm the authenticity of Bid Securities A and B, Company X admitted to the Tendering Agent that both the bid securities they submitted were not valid as a result of alleged “errors” committed by their employees.
Company X’s General Manager admitted that Company X had submitted falsified bid securities in its bids for Contracts 1 and 2. The General Manager explained that one of its employees created a counterfeit bid security, the Bid Security A, while using the Original Bid Security B as a template. The employee then allegedly created another counterfeit bid security B to make the documents appear consistent. Both counterfeit bid securities A and B were then submitted with Company X’s bids.

The General Manager claimed that the company’s management was unaware of the employee’s actions, but acknowledged that supervision controls were weak. Company X reportedly terminated the employee, and another employee was given an administrative warning and suspended from receiving performance income for three months for breach of duty.

The World Bank, through the Operations Procurement Review Committee (OPRC), also reviewed the matter independently and similarly found differences and inconsistencies between bid security B submitted by Company X and the Original Bid Security B provided by the Issuing Bank with respect to the signature and format.

At the conclusion of Sanctions Proceedings in this case, the World Bank debarred Company X.