Republic of India

Andhra Pradesh Road Sector Project

Redacted Report

October 2015
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Executive Summary

This report provides the findings of an administrative inquiry by the World Bank Group Integrity Vice Presidency (INT) into allegations that Company A may have engaged in misconduct in connection with the Andhra Pradesh Road Sector Project (the Project) in India.

The bidding documents for three road contracts (the Contracts) under the Project required bidders to show that they had a work capacity which was greater than the amount of work required under the contract for which they bid. Evidence indicates that Company A submitted false information regarding the total value of its existing work commitment with its bids for the Contracts. Specifically, evidence suggests that Company A falsely claimed approximately Indian Rupees (Rs.) 760 Crores—a Crore equals 10 million—in each of its three bids for the Contracts, although the actual total value of its existing work commitment was approximately Rs. 1180 Crores for each of the three bids, thus reducing its apparent work capacity available for the Contracts.

The World Bank issued a letter of reprimand to Company A and posted the fact of the reprimand on its public website.
**Background**

The Andhra Pradesh Road Sector Project (the Project) in India aimed to provide better quality, greater capacity and safe roads to users in a sustainable manner through enhancing the institutional capacity of the Andhra Pradesh government in the road sector. The Project Implementation Unit (PIU) was the Transport, Road & Building Department of the Government of Andhra Pradesh. The Andhra Pradesh Road Development Corporation (APRDC) assisted the PIU in carrying out the day-to-day management of the Project.

The Project included three road contracts: Contract 1, Contract 2, and Contract 3 (collectively, the Contracts). The Technical Evaluation Committee for the Contracts (the TEC) established that Company A was the lowest bidder in the Contracts, and submitted its recommendations to the Financial Evaluation Committee (FEC) for the FEC meeting.

**Allegations**

On the day the TEC recommended Company A for the Contracts, the PIU received a complaint alleging that Company A had submitted false information regarding its ongoing works with its bid for Contract 2. APRDC was informed of the allegation and conducted an investigation. APRDC then shared its investigative findings with the World Bank Group Integrity Vice Presidency (INT).

**Methodology**

INT’s investigation consisted of, among other things, a review of APRDC’s investigative findings, as well as statements obtained from Company A.

**Findings**

Evidence indicates that Company A submitted false information regarding the total value of its existing work commitment with its bids for the Contracts.

The bidding documents for the Contracts required bidders to show that they had a work capacity which was greater than the amount of work required under the contract for which they bid. In other words, bidders were required to accurately disclose their existing work commitment, and show that they still possessed the work capacity to execute the Contracts. Evidence suggests that, in each of its three bids for the Contracts, Company A claimed approximately Rs. 760 Crores as the total value of its existing work commitment.

Following receipt of the complaint in relation to Contract 2, APRDC conducted an investigation and found that the actual total value of Company A’s existing work commitment was approximately Rs. 1180 Crores, as opposed to Rs. 760 Crores. In response to APRDC’s inquiry, Company A stated that this erroneous figure was caused by “hurried preparation and submission” of its bid. APRDC concluded that, even considering the actual work commitment valued at approximately Rs. 1180 Crores, Company A possessed the work capacity required by the Contracts, and therefore should not be disqualified. In light of these findings, the TEC recommended the award of the Contracts to Company A, subject to the World Bank’s clearance.
However, subsequent to the TEC’s recommendation, another complaint was submitted to the Task Team Leader for the Project, claiming that Company A had submitted false information on its actual work commitment in various tenders in Andhra Pradesh. APRDC conducted an investigation and concluded that Company A falsely claimed approximately Rs. 760 Crores in each of its bids for the Contracts (Contract 1, 2, and 3), although the actual total value of its existing work commitment was approximately Rs. 1180 Crores in each of these three bids.

Based on APRDC’s findings, the TEC determined that Company A had “misled or made false information in a number of bids with the intention to secure tenders,” and that Company A’s practice of suppressing information in its bids had “become habitual.” Consequently, the TEC rejected Company A’s bids for the Contracts.

INT was informed of APRDC’s investigative findings and sent Company A a show cause letter to provide the company with the opportunity to respond to the findings. Company A replied to INT’s letter stating that: (i) the alleged omissions were due to “rush of work load which is not intentional;” and (ii) the allegations against Company A were “guided petitions” aimed at “[its] chances of getting awarded the works.”

**Follow Up Action by the World Bank**

The World Bank issued a letter of reprimand to Company A and posted the fact of the reprimand on its public website.