Federal Democratic Republic of Ethiopia

Electricity Access (Rural) Expansion Project
Energy Access Project

Redacted Report

October 2015
Statement of Use and Limitations

This Report was prepared by the World Bank Group (the WBG) 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 WBG for purposes of its own policies, rules and procedures (the WBG’s Framework regarding Anti-corruption), in relation to the WBG-supported activities. The purpose of the Investigation was to allow the WBG to determine if the WBG’s Framework regarding Anti-corruption has 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 or otherwise referred 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 institutions comprising the WBG and their officers and employees by their respective constituent documents and any other applicable sources of law. The WBG reserves the right to invoke its privileges and immunities, including at any time during the course of an investigation or a subsequent judicial, administrative or other proceeding pursued in connection with this matter. The WBG’s privileges and immunities cannot be waived without the prior express written authorization of the WBG.
Executive Summary

This Report provides the findings of two administrative inquiries by the World Bank Group Integrity Vice Presidency (INT) into allegations that: (i) Company A engaged in misconduct during the execution of a contract awarded under the World Bank-financed Energy Access Project (the Energy Project) in Ethiopia; and (ii) Company B engaged in misconduct under the World Bank-financed Electricity Access (Rural) Expansion Project (the Electricity Project) in Ethiopia.

INT received allegations that Company A had made an improper payment to a government employee in relation to the Energy Project. During INT’s investigation into Company A’s alleged misconduct, INT found evidence indicating that Company B had submitted false financial information that belongs to Company A, in order to qualify as a bidder under the Electricity Project.

Company A and Company B are separate and distinct businesses with no corporate connections. However, the companies share a family relationship, as the Director of Company B is the daughter of Company A’s Business Manager.

Evidence indicates that:

1) Company A’s Business Manager authorized a direct money transfer from the company’s account to a government employee in relation to the Energy Project; and

2) Company B submitted false financial information in order to qualify as a bidder for a contract financed under the Electricity Project.

The World Bank imposed a sanction of debarment with conditional release on Company A and its Business Manager, and on Company B and its Director.
Background

1) The Energy Access Project (the Energy Project) in Ethiopia

The Energy Project sought to, among other things, establish a sustainable program for expansion of access to electricity and expand the Ethiopian rural electrification program through the provision of technical assistance. The Energy Project was financed under a Trust Fund Grant Agreement which was entered into by the International Bank for Reconstruction and Development (IBRD)\(^1\) and Ethiopia.

The implementing agency for the Energy Project issued bidding documents for a Contract (the Energy Contract) financed under the Energy Project. The Energy Contract ultimately was awarded to Company A.

2) The Electricity Access (Rural) Expansion Project (the Electricity Project) in Ethiopia

The Electricity Project aimed to establish a sustainable program for expanding access to electricity in rural communities throughout the country. The Electricity Project was financed by the International Development Agency (IDA).

The implementing agency for the Electricity Project, issued bidding documents for a contract (the Electricity Contract) financed under the Electricity Project. Company B submitted a bid for the Electricity Contract and was proposed to win Lots 2 & 3 of this tender. However, this tender was cancelled.

3) Company A and Company B

Company A and Company B are separate and distinct businesses with no corporate connections. However, the companies share a family relationship, as the Director of Company B is the daughter of Company A’s Business Manager.

Allegations

The Ethiopia Federal Ethics and Anti-Corruption Commission (FEACC) informed the World Bank Group Integrity Vice Presidency (INT) of the outcome of an investigation it had conducted. This investigation was based upon an earlier INT referral of information to FEACC concerning a government employee who allegedly was demanding bribe payments. Among FEACC’s findings was that Company A had paid a bribe to a government employee. INT thereafter initiated an investigation into Company A’s alleged improper payments to the government employee under the Energy Project.

During INT’s investigation of Company A, INT found evidence indicating that Company B had falsely submitted financial information that belongs to Company A, in order to qualify as a bidder under the Electricity Project.

\(^1\) The IBRD is one of the five institutions comprising the World Bank Group. The International Development Agency (IDA) and the IBRD constitute the World Bank. The IBRD, IDA, and the World Bank are used interchangeably throughout this Report.
Methodology

INT’s investigation consisted of, among other things, a review of Project documents, as well as documents and statements obtained from Company A’s Business Manager and Company B’s Director.

Findings

1. Evidence indicates that Company A made an improper payment to a government employee during the execution of a contract under the Energy Project.

Company A was awarded the Energy Contract financed under the Energy Project. INT obtained evidence from FEACC indicating that, while the execution of the Energy Contract was ongoing, Company A’s Business Manager authorized a money transfer in the amount of US$ 4,000 to a government employee (the Government Employee).

During an interview with INT, Company A’s Business Manager explained that the Energy Contract had a training component, and that s/he had exchanged emails with the Government Employee regarding the release of equipment for training. Company A’s Business Manager stated that Company A experienced difficulties regarding the release of equipment by the Ethiopia Customs Authority. Company A’s Business Manger informed INT that, due to delays with the release of equipment, s/he had concerns about whether the training would occur as planned. Company A’s Business Manager informed INT that s/he expressed the concerns to the Government Employee, and the Government Employee offered assistance to get the equipment released.

According to Company A’s Business Manager, the US$ 4,000 payment was made to the Government Employee to enable him to facilitate the release of Company A’s equipment from the Ethiopia Customs Authority. Company A’s Business Manager informed INT that the US$ 4,000 amount was agreed on the phone, and s/he did not know exactly how the money was to be used. During an interview with INT, Company A’s Business Manager indicated that the Government Employee asked for “two and two,” which s/he understood to mean US$ 4,000. Company A’s Business Manager told INT that s/he was aware that it was not proper to make a payment to a government employee. Company A’s Business Manager further informed INT that the Government Employee subsequently asked for more money, but that s/he ignored the request.

A Project official (the Project Official) informed INT that it was the responsibility of the Government Employee to write a supporting letter to the Ethiopia Customs Authority to obtain release of equipment under the Energy Contract. Additionally, the Project Official told INT that it was not standard practice for payments to be made directly to the Government Employee, and that this had not been done in prior contracts. Lastly, the Project Official confirmed to INT that under no circumstances should payment be made directly to a government employee, as the release of vendor equipment was part of the vendors’ responsibilities.
2. Evidence indicates that Company B submitted false financial documents, containing Company A’s financial information, in its bid for a contract under the Electricity Project.

Company B, acting through Company B’s Director, submitted its bid for the Electricity Contract financed under the Electricity Project. With respect to financial capability, bidders were required to provide documentary evidence demonstrating that the bidder’s average annual turnover for the previous two years was at least equivalent to two times the value of the total price of the bid.

To comply with these requirements, Company B’s submitted two financial documents with its bid. Evidence indicates that the financial documents submitted by Company B do not belong to Company B, but instead belong to Company A. Company A’s Business Manager is the mother of Company B’s Director. The financial documents submitted with Company B’s bid are identical to those contained in Company A’s bid for another contract under the Electricity Project.

In an interview with INT, Company B’s Director explained that Company A is a company that is managed and operated by the parents of Company B’s Director. During the interview, and in correspondence with INT, Company B’s Director emphasized that Company A and Company B are distinct corporate entities, do not share any common ownership or financial interests, and that Company B is not associated in any way with Company A.

When questioned by INT as to why Company B submitted Company A’s financial information with its bid, Company B’s Director stated that this was done in order for Company B to meet the financial eligibility criteria. Additionally, Company B’s Director confirmed to INT that s/he was aware that Company B’s bid would not have qualified if the Company A’s financial information had not been included.

Follow Up Action by the World Bank

The World Bank imposed a sanction of debarment with conditional release on Company A and its Business Manager, and on Company B and its Director.