Republic of Azerbaijan

Social Protection Development Project

Redacted Report

March 2018
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Executive Summary

This report summarizes the findings of an administrative inquiry by the World Bank Group Integrity Vice Presidency (INT) into allegations that Company A engaged in misconduct in connection with the Social Protection Development Project (the Project) in Azerbaijan.

Evidence indicates that Company A and its Project Manager submitted false Manufacturer’s Authorization Forms (MAFs) in Company A’s bid for a contract under the Project. Evidence also suggests that Company A’s General Director, as a controlling affiliate of Company A, did not effectively supervise Company A’s Project Manager in this context.

The World Bank imposed sanctions on Company A, Company A’s Project Manager, and Company A’s General Director, extending to any legal entities directly or indirectly controlled by any of them.
Background

The objective of the Social Protection Development Project in Azerbaijan (the Project) was to improve delivery of labor market and social protection interventions through strengthened institutions, enhanced institutional and human resources capacity, and improved targeting of social safety net programs. The Project was financed by the International Development Association (IDA). It became effective in May 2008 and closed in August 2015.

In 2011, Company A submitted its bid for a contract under the Project (the Contract). Company A’s bid included several Manufacturer’s Authorization Forms (MAFs) purporting to authorize Company A’s use of products in Company A’s bid, including an MAF purportedly issued by Manufacturer B.

Allegation

The Project Implementing Unit (PIU) contacted Manufacturer B for verification of the MAF submitted by Company A. In response, Manufacturer B informed the PIU that the MAF was not issued or signed by Manufacturer B, and that Manufacturer B was not aware that the MAF was submitted. This matter was referred to the World Bank Group Integrity Vice Presidency (INT).

Findings

Evidence indicates that Company A and its Project Manager (the Project Manager) submitted false MAFs in Company A’s bid for the Contract.

During the investigation, INT requested Manufacturer B verify the authenticity of the MAF purportedly signed by an employee of Manufacturer B which was submitted in Company A’s bid. Manufacturer B confirmed to INT that the MAF was not issued by Manufacturer B and that Manufacturer B was not aware that the letter was submitted. The Manufacturer B representative stated that the MAF was not approved by any Manufacturer B attorney, as was Manufacturer B’s typical practice for such letters, and verified that the MAF was not written on Manufacturer B stationery, nor had it been issued in the correct Manufacturer B entity name. The Manufacturer B representative also stated that it was not signed by the employee of Manufacturer B as purported.

To give Company A an opportunity to respond to the allegations, INT delivered a Show Cause Letter to the General Director of Company A (the General Director) and the President of Company A. In the General Director’s response to INT’s Show Cause Letter, s/he stated that one day prior to the bid submission deadline, Company A’s Project Manager replaced a Manufacturer C brand item in Company A’s bid proposal with a Manufacturer B brand item to reduce Company A’s final bid price. According to the General Director, because it would take two or three days to obtain an MAF directly from Manufacturer B, the Project Manager requested the MAF from Company D, a Country B-based firm that purportedly supplied Manufacturer B products. The General Director stated that the Sales Manager of Company D sent the MAF to Company A the next day.

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. IDA and the World Bank are used interchangeably throughout this Report.
INT asked Manufacturer B to confirm whether Manufacturer B issued an MAF to Company D for the benefit of Company A in Azerbaijan. Manufacturer B confirmed that it did not issue the MAF to Company D for the benefit of Company A, and that Company D was not authorized to issue the MAF on behalf of Manufacturer B. Manufacturer B stated that no record was found of Manufacturer B ever issuing an MAF to Company D.

Based on this evidence, INT requested authentications of the other MAFs contained in Company A’s bid for the Contract. INT was told by an employee of Manufacturer E that the Manufacturer E MAF submitted in Company A’s bid had not been issued by Manufacturer E. The employee of Manufacturer E stated that the purported signee of the MAF on Manufacturer E’s behalf had never seen nor signed the MAF. The employee also stated that there was no record of the MAF at Manufacturer E.

During an interview with INT, the General Director, who signed Company A’s bid, told INT that s/he did not participate in the bid preparation process. According to the General Director, the Project Manager was responsible for preparing Company A’s bid, including the MAFs. The General Director was asked if s/he checked the bid before signing it, and replied that s/he did not check the contents of the bid package in detail. S/he stated that s/he relied on the bid checklist submitted for his/her approval together with the final bid package. The Project Manager told INT that s/he prepared Company A’s bid and obtained the MAFs. S/he stated that s/he had obtained all MAFs and prepared Company A’s final bid price three days before the bids were due when s/he realized that replacing the Manufacturer C brand equipment with a Manufacturer B alternative would decrease Company A’s final bid price. S/he said that it would have taken three to five business days to obtain MAFs from Manufacturer B, and the bid submission deadline was three days away. The Project Manager then sought advice from the General Director, who said that Sunday was a work day in Country B and gave him/her telephone numbers of several Country B-based firms to contact. The Project Manager stated that s/he contacted the Sales Manager of Company D, who allegedly told the Project Manager that Company D had good relations with Manufacturer B, and that s/he could obtain a Manufacturer B MAF for Company A. The Project Manager said that s/he sent the MAF template to the Sales Manager of Company D and received the signed Manufacturer B MAF via e-mail the next day.

According to the Project Manager, the Manufacturer B MAF was the only last-minute change in Company A’s bid, and Company D provided only the Manufacturer B MAF. S/he stated that s/he personally contacted and received the other MAFs electronically via e-mail directly from the manufacturers. The Project Manager stated that the other MAFs were genuine documents, and that there were no more unauthenticated documents in Company A’s bid. When asked if s/he could show e-mail messages as proof of his/her correspondence with the relevant manufacturers, the Project Manager stated that when Company A’s e-mail servers were moved from one internet provider to another, s/he lost email messages. Upon INT’s request, the Project Manager showed his/her emails for the time period when the Project Manager allegedly requested and received MAFs electronically from manufacturers. Evidence indicates that the Project Manager’s email account had both incoming and sent emails except for a time period which included the bid preparation stage for the Contract as these emails had been deleted.
When INT showed the Project Manager the statement from Manufacturer E that the Manufacturer E MAF in Company A’s bid had not been issued by Manufacturer E, the Project Manager first said that s/he received the MAF in that form and that s/he was unaware of who prepared the document. S/he then suggested that s/he might have obtained the Manufacturer E MAF through Manufacturer E’s local office. Manufacturer E’s official representative in Azerbaijan confirmed to INT that Manufacturer E did not supply any MAFs for World Bank-financed tenders in Azerbaijan in the relevant time period.

Subsequently, Manufacturer F also confirmed to INT that the MAF submitted in Company A’s bid was not signed by its employee on Manufacturer F’s behalf, and that it was not issued on official Manufacturer F letterhead. When INT presented this evidence in a follow-up interview, the General Director responded that while Company D should be responsible for the Manufacturer B MAF, the Project Manager should know how the Manufacturer E and Manufacturer F MAFs were obtained. The Project Manager said that s/he received both Manufacturer E and Manufacturer F MAFs directly from them.

**Follow Up Action by the World Bank**

The World Bank imposed sanctions on Company A, Company A’s Project Manager, and Company A’s General Director, extending to any legal entities directly or indirectly controlled by any of them.