



Georgia

Second Secondary and Local Roads Project

Redacted Report

June 2019

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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 of misconduct in connection with the Second Secondary and Local Roads Project in Georgia (the “Project”).

A joint venture consisting of Company X and Company Y (collectively, the “JV”) submitted bids for two Project tenders. Evidence indicates that Company X and Company Y entered into an arrangement with government employees in order to steer the awards of the two tenders to the JV.

The World Bank imposed the administrative sanction of debarment with conditional release on Company X, Company Y, and the Director of Company Y. These ineligibilities extend to any entity controlled directly or indirectly by the sanctioned companies and individual.

Background

In March 2012, the Government of Georgia signed a financing agreement and a loan agreement with the International Bank for Reconstruction and Development (“IBRD”) and the International Development Agency (“IDA”), respectively, for the Second Secondary and Local Roads Project (the “Project”). The Project was designed to improve local connectivity and travel time for selected secondary and local roads in Georgia, and to strengthen the capacity of the Roads Department to manage the road network.

A unit under the Ministry of Regional Development and Infrastructure (the “PIU”) implemented the Project.

The PIU issued the bidding documents for the procurement of Tender 1 and Tender 2. The cost estimates for these two tenders were both approximately Georgian Lari (“GEL”) 4.0 million (approximately USD 2.4 million) each.

Subsequently, only two of the seven companies that purchased the bidding documents for Tender 1 submitted bids by the Tender 1 bid submission deadline, one of which was the joint venture consisting of Company X and Company Y (collectively, the “JV”). As the lowest evaluated bidder, with a bid price of approximately GEL 5.0 million, the JV was awarded the contract.

Similarly, out of the nine companies that purchased the bidding documents for Tender 2, again, only the same two bidders submitted bids by the Tender 2 bid submission deadline, including the JV. As the lowest evaluated bidder with a bid price of approximately GEL 5.0 million, the JV was awarded the contract.

Methodology

INT investigated collusion in relation to the bidding processes for Tender 1 and Tender 2.

INT met with PIU staff and conducted audits of Company X and Company Y. INT also interviewed the owner of Company X (“Owner X”) and the Director of Company Y (the “Director”).

Findings

Evidence indicates that Company X and Company Y entered into an arrangement with government employees in order to steer the award of Tender 1 and Tender 2 to the JV.

Evidence indicates that Company X and Company Y solicited and received assistance from government employees affiliated with the PIU in bid preparation and submission. Specifically, evidence indicates that government employees allowed the JV to correct mistakes in its bid for Tender 1 after the bid submission deadline. Moreover, evidence indicates that a government employee aided the JV’s bid submission for Tender 1 by making suggestions and fixing material mistakes, shortly before the bid submission deadline.

Evidence indicates that the Director and Owner X had prepared the bids and formed the final bid prices for Tender 1 and Tender 2. While both the Director and Owner X denied entering into any improper arrangements, evidence indicates that the Director met with a government employee in furtherance of Company X and Company Y’s arrangement with the PIU.

Corrective Actions

The World Bank imposed the administrative sanction of debarment with conditional release on Company X, Company Y, and the Director. These ineligibilities extend to any entity controlled directly or indirectly by the sanctioned companies and individual.