



# **Republic of Uganda**

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Second Private Sector Competitiveness Project

**Redacted Report**

**March 2018**

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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 Private Sector Competitiveness Project (the Project) in Uganda.

Evidence indicates that Companies A, B, C, D, E, F, G, H, and I submitted false financial information in their bids for contracts under the Project.

Evidence also indicates that Company J may have submitted Company X's information as its partner without Company X's knowledge or permission.

Evidence further indicates that Company B and Company F made improper payments to a government employee to be awarded contracts under the Project.

The World Bank Group imposed a sanction of debarment with conditional release on Companies A, B, C, D, E, F, G, H, and I. The ineligibility extends to any legal entity directly or indirectly controlled by the debarred entities.

INT was unable to seek the imposition of the World Bank Group administrative sanctions against Company J because INT was unable to obtain sufficient evidence to prove that Company J engaged in a sanctionable practice.

## **Background**

The Second Private Sector Competitiveness Project (the Project) in Uganda aimed to reduce the cost of doing business and encourage investment while enabling the private sector to be better positioned to respond to investment and export opportunities. The Project was financed by the International Development Agency (IDA).<sup>1</sup> The Project became effective in June 2005 and closed in February 2013.

## **Allegations**

The World Bank Group Integrity Vice Presidency (INT) received an allegation that Company A submitted false financial documents in its bid for a contract under the Project.

## **Methodology**

INT's investigation consisted of, among other steps, a review of Project documents, as well as documents and statements obtained from several bidders under the Project.

## **Findings**

### **1. Evidence indicates that several companies submitted false financial information in their bids for contracts under the Project.**

**Company A:** Company A submitted a bid for a contract under the Project, and subsequently won the contract. Under the contract, Company A was entitled to an advance payment from the Project Implementing Unit (PIU) for mobilization purposes upon submission of a bank guarantee to the PIU. Company A submitted a bank guarantee, purportedly issued by Bank A, and requested the advance payment by the PIU. The PIU paid Company A the full sum. Company A was also required under the contract to provide a performance security to the PIU. In accordance with this requirement, Company A submitted to the PIU a performance security, purportedly issued by Bank A. Subsequently, the PIU submitted copies of both documents to Bank A for verification. Bank A responded that both guarantees submitted by Company A to the PIU were forged and were not issued by Bank A.

**Company B:** Company B submitted bids for four contracts under the Project and won two of them. Evidence indicates that in its bids for the four contracts, Company B submitted false amounts of annual volume of construction turnover and also submitted fraudulent audited financial statements. Company B admitted to INT that the figures were "adjusted" in order to meet the bid requirements. With respect to the financial statements submitted in its bids, Company B stated to INT that it "adjusted" the actual accounts and financial statements of the business in order to satisfy the qualification criteria set out in the bidding documents.

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<sup>1</sup> 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.

**Company C:** Company C submitted bids for six contracts under the Project and won two of them. During INT’s investigation, Company C admitted to INT that the accounts and financial statements submitted in its bids were altered in order to satisfy the qualification criteria set out in the bidding documents.

**Company D:** Company D submitted bids for five contracts under the Project and won one of them. INT obtained evidence indicating that Company D falsified the amounts of annual volume of construction turnover and submitted audited financial statements that overstated factual information about the company to meet the bidding criteria. During INT’s investigation, Company D denied falsifying information and stated that all “certified accounts” contained in the various bids submitted were accurate and reflected the actual financial position of the company.

**Company E:** Company E submitted bids for three contracts under the Project. Company E was unsuccessful with respect to all three bids. Evidence indicates that Company E falsified the amounts of annual volume of construction turnover and also submitted audited financial statements that overstated factual information about the company to meet the bidding criteria. Evidence also indicates that Company E submitted forged bid securities.

**Company F:** Company F submitted bids for 12 contracts under the Project and won one of them. Evidence indicates that Company F falsified the amounts of annual volume of construction turnover and submitted audited financial statements that overstated factual information about the company to meet the bidding criteria.

**Company G:** Company G submitted a bid for a contract under the Project which was unsuccessful. Evidence indicates that Company G had falsified the amounts of annual volume of construction turnover and also submitted audited financial statements that overstated factual information about the company to meet the bidding criteria.

**Company H:** Company H submitted bids for five contracts under the Contract and won four of them. Evidence indicates that Company H had falsified the amounts of annual volume of construction turnover and also submitted audited financial statements that overstated information about the company to meet the bidding criteria.

**Company I:** Evidence indicates that Company I submitted a false financial report in its bid for a contract under the Project.

**2. Evidence indicates that Company J may have submitted Company X’s information as its partner without Company X’s knowledge or permission.**

Evidence indicates that Company J submitted a bid for a contract under the Project, in association with Company X. In its bid, Company J placed great emphasis on the experience and capacity of Company X. INT, in order to check and verify the contents of the bid submitted by Company J, met with a person who identified himself as the owner of Company X. The owner of Company X stated that he had never been approached by Company J to enter into any form of association or alliance in order to submit a bid to the PIU. He also stated that He had never assigned a power of attorney to anyone from Company J, never seen or signed a memorandum of understanding

between Company X and Company J, and never agreed to remuneration for work to be completed by his company. During INT's investigation, Company J agreed that there was no memorandum of understanding between Company J and Company X; that Company X had not provided a power of attorney allowing Company J to act on behalf of the company, and no agreement for remuneration existed. Company J further indicated that it had proposed and intended to use the owner of Company X but decided at some stage to do the work without Company X. INT was unable to obtain sufficient evidence to prove that Company J engaged in a sanctionable practice.

### **3. Evidence indicates that Company B and Company F made improper payments to a government employee (the Government Employee) to be awarded contracts under the Project.**

During INT's investigation, the representatives of Company B and Company F informed INT that they had made payments to the Government Employee to be awarded contracts under the Project. Company B further provided INT with its account records indicating payments to the Government Employee.

During the course of the interview with INT, the Government Employee denied receiving money or anything of value from contractors. When asked if s/he knew the contractors from Company B and Company F, s/he initially said that s/he did not know them and that s/he had not visited their premises. S/he then stated that s/he visited the premises of Company F to discuss the hiring of machinery. After being advised that INT had documentary and oral evidence from two contractors indicating that payments had been made to the Government Employee on several occasions, the Government Employee denied receiving money from Company B and Company F. When shown cash payment vouchers and other records indicating the payments, the Government Employee suggested that the contractors had falsified their records to implicate him/her.

### **Follow Up Action by the World Bank**

The World Bank Group imposed a sanction of debarment with conditional release on Companies A, B, C, D, E, F, G, H, and I. The ineligibility extends to any legal entity directly or indirectly controlled by the debarred entities.

INT was unable to seek the imposition of the World Bank Group administrative sanctions against Company J because INT was unable to obtain sufficient evidence to prove that Company J engaged in a sanctionable practice.