



Argentina

Essential Public Health Functions and Programs Project

Redacted Report

March 2019

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Executive Summary

This report provides the findings of a World Bank Group Integrity Vice Presidency (“INT”) administrative inquiry into allegations of misconduct in connection with the Essential Public Health Functions and Programs Project (the “Project”) in Argentina.

Company X and Company Y each bid for and were awarded contracts under the Project.

Evidence indicates that Company X failed to disclose agency relationships with and payments made to two individuals during bidding and execution of a contract under the Project.

Evidence indicates that Company Y also failed to disclose agency relationships with and payments made to the same two individuals during bidding and execution of another contract under the Project.

The World Bank imposed the administrative sanction of debarment with conditional release on Company X and Company Y. These sanctions extend to any entity Company X or Company Y control directly or indirectly.

Background

In July 2007, the Republic of Argentina (“Argentina”) and the International Bank for Reconstruction and Development (the “Bank”) entered into a Loan Agreement for the Essential Public Health Functions and Programs Project (the “Project”). The Project closed in December 2012.

The Project aimed to: (i) increase the coverage of ten prioritized Public Health Programs; (ii) reduce the population’s exposure to principal risk factors associated with collective illness; and (iii) improve the stewardship role and appropriate regulatory environment of Argentina’s public health system. The Project sought to support Argentina’s Federal Health Plan and the plan’s objectives to reduce mortality and morbidity associated with collective illness.

In May 2007, the Project Implementation Unit (“PIU”) tendered three lots for the supply of goods. Company Y was awarded Lots 1 and 2. In November 2007, the PIU and Company Y signed the approximately US\$ 1,000,000 contract (“Contract A”).

In March 2009, the PIU tendered five lots for the supply of goods. Company X was awarded Lots 1, 2, and 3. In September 2009, the PIU and Company X signed the approximately US\$ 9,000,000 contract (“Contract B”).

Allegations & Methodology

While investigating allegations that Company X had engaged in misconduct under a different Bank-financed contract, INT encountered evidence suggesting Company X and Company Y had engaged in misconduct when bidding for Contract B and Contract A, respectively. INT accordingly opened a separate investigation, which included conducting missions, interviewing subjects and witnesses, and reviewing documents.

Findings

1. Evidence indicates that Company X had an undisclosed agency relationship with two individuals.

Company X submitted a bid for Contract B signed by an individual (“Agent A”) acting on behalf of Company X, pursuant to power of attorney. Companies bidding for Contract B were obligated to disclose any payment that they had made or intended to make to agents and/or other intermediaries during the bidding phase and/ or contract implementation. Evidence indicates that, in its bid, Company X expressly denied any actual or anticipated payments to agents.

However, evidence indicates that, contrary to Company X’s representation, Company X had retained and agreed to make payments to two agents in connection with Contract B.

Evidence indicates that about two weeks before the bid submission deadline, Company X entered into an agency agreement with Agent A and another individual (“Agent B”). Evidence indicates that, according to this agreement, Agents A and B would provide broad support and services to

Company X both during the bidding process and, if successful, during contract implementation. Evidence indicates that, in exchange, Company X would pay Agents A and B in advance a total of approximately US\$ 15,000, and then, if the bid was successful, a commission equal to a percentage of the contract value, varying from 2.5 percent to 5 percent, depending on the goods involved.

Evidence indicates that following bid submission, but prior to contract award, Agent A sent a letter to Company X seeking to terminate the agency agreement for both him/herself and Agent B (the “Resignation Letter”). Evidence also indicates that Agent A asked that Company X pay their approximately US\$ 15,000 advanced payment. Evidence indicates that Company X made this payment.

Evidence also indicates that after Agent A purportedly resigned, s/he signed the contract between Company X and the PIU on behalf of Company X. Further, during contract implementation, Agent A signed at least five letters submitted to the PIU on behalf of Company X. The PIU also contacted him/her directly as Company X’s representative on at least three occasions.

Additional evidence indicates that: (i) Agent A had been Company X’s agent for at least five years prior to bid submission; (ii) s/he was Company X’s agent throughout Contract B bidding and execution; and (iii) Agent B’s and his/her putative resignation from the agency relationship was fictitious, and was undertaken to avoid tax liability on invoices issued under his/her name. Evidence indicates that the contents of the Resignation Letter had been produced by Company X; s/he only signed it.

Evidence indicates that Company X fulfilled its obligations under the agency agreements with Agents A and B, paying all agreed commissions.

2. Evidence indicates that Company Y failed to disclose agency relationships and payments made during contract bidding and execution.

Companies bidding for Contract A were obligated to disclose any payment that they had made or intended to make to agents and/or other intermediaries during the bidding process and/ or contract implementation. Evidence indicates that Company Y left blank the portion of its bid meant for disclosure of such payments.

Evidence indicates that Company Y failed to disclose that it had employed Agents A and B (Company X’s undisclosed agents, as discussed above) as agents during the bidding and execution of Contract A. Evidence indicates that Company Y was a supplier of products manufactured by Company X, that it was a representative of Company X in the region, and that it retained Agents A and B due to its relationship with Company X.

Evidence indicates that Company Y submitted a bid for Contract A, signed by Agent B, pursuant to a power of attorney. Agent A attended the bid opening and signed Contract A as Company Y’s representative. During contract implementation, Agent A also signed at least 20 documents representing Company Y before national authorities. Evidence indicates that Agents A and B were paid for their services in relation to Contract B.

Corrective Actions

The World Bank imposed the administrative sanction of debarment with conditional release on Company X and Company Y. These ineligibilities extend to any entity Company X or Company Y control directly or indirectly.