Kazakhstan

Health Sector Technology Transfer and Institutional Reform Project

Redacted Report

March 2020
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 an administrative inquiry by the World Bank Group Integrity Vice Presidency ("INT") into allegations of misconduct in connection with the Health Sector Technology Transfer and Institutional Reform Project in Kazakhstan.

Two companies — Company X and Company Y — submitted bids for a Project contract (the “Contract”). Evidence indicates that Company X and Company Y entered into an improper arrangement in order to influence the bidding process for the Contract.

Moreover, evidence indicates that Company Y took actions that materially impeded INT’s investigation.

The World Bank imposed the administrative sanction of debarment with conditional release on Company X and Company Y, extending to any entity Company X or Company Y directly or indirectly control.
**Background**

In February 2008, the International Bank for Reconstruction and Development (“IBRD”) entered into a Loan Agreement with Kazakhstan (the “Borrower”) to finance the Health Sector Technology Transfer and Institutional Reform Project (the “Project”) with additional financing contributed by the Borrower. The Project became effective in December 2008 and closed in June 2017.

The Project’s objective was to introduce international standards and build long-term institutional capacity in the Ministry of Health of Kazakhstan and other related healthcare institutions. In order to do so, the Project sought to support key health sector reforms pursued by the Government of Kazakhstan in the context of the State Health Care Reform and Development Program.

The Ministry of Health, through its Project Implementation Support Team (“PIST”), implemented the project.

In May 2014, PIST issued the bidding documents for a Project contract (the “Contract”). Five companies submitted bids, including Company X and Company Y.

Company X, with the lowest responsive bid price, was recommended for Contract award at a price of approximately USD 20 million.

**Allegations & Methodology**

INT’s investigation was prompted by an anonymous complaint and similarities in several companies’ bids possibly indicative of collusion.

INT’s inquiry included a mission and a review of the relevant procurement documents associated with the Contract. Also, INT interviewed representatives from the bid evaluation committee, PIST, Company X, and Company Y.

**Findings**

1. **Evidence indicates that Company X and Company Y entered into an improper arrangement in order to influence the bidding process for the Contract.**

Evidence indicates that bids submitted by Company X and Company Y shared a number of irregularities, including unusual price patterns, identical grammatical and stylistic mistakes, similar typographical errors, and parallel non-compliance with bid instructions. Neither Company X nor Company Y was able to provide satisfactory explanations for these similarities. Moreover, evidence indicates that there were interactions between employees of the two companies.

   a. **Unusual Price Patterns**

Evidence indicates that Company Y’s bid submission included a fixed percentage price increase across each line item in the bill of quantities relative to that of Company X.
b. **Identical Grammatical and Stylistic Mistakes**

Evidence indicates that Company X and Company Y deviated from the bidding document template in identical ways, which, in one instance, rendered the template sentence ungrammatical.

c. **Similar Typos**

Evidence indicates that Company X and Company Y made the same spelling mistakes in the same places in their bids.

d. **Common Areas of Non-Compliance**

Evidence indicates that Company X and Company Y both failed to comply with the same bidding instructions.

e. **Other Similarities**

Evidence indicates that Company X and Company Y both referred erroneously to absent sections in the Bidding Documents.

Further, evidence indicates that the Company X’s and Company Y’s bids shared similar pagination.

f. **Lack of Satisfactory Explanation**

Company X and Company Y were unable to satisfactorily account for these similarities. Two other bidders offered products from the same manufacturer as Company X and Company Y, but submitted bids that lacked their commonalities. Similarly, two other bidders used the same distributor as Company X and Company Y, but lacked the same similarities in their bids. This suggests that the bid similarities were not generated by Company X and Company Y’s common manufacturer or distributor. Further, evidence indicates that there was no other common third party who could have caused the similarities in their bids. Evidence indicates that both companies prepared the bid submission forms and supporting documentation using their own employees, without any third parties or translation agencies involved.

g. **Interaction between Company X and Company Y employees during bid preparation.**

Evidence indicates that Company X conducted an internal investigation and concluded that its employees had interacted with employees of Company Y during bid preparation. Evidence further indicates that Company X took disciplinary measures, including terminating staff involved in the project.

2. **Evidence indicates Company Y materially impeded with INT’s investigation.**

Having submitted a bid for the Contract, Company Y was required to allow INT to audit and investigate company documents and records in connection with the Contract. Company Y however repeatedly denied INT access to inspect its records, and ultimately, never provided access.
Corrective Action

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