



Socialist Republic of Vietnam

Hanoi Urban Transport Development Project

Redacted Report

June 2020

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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 Hanoi Urban Transport Development Project (the “Project”) in the Socialist Republic of Vietnam.

A company (“Company A”) and its sub-consultant (“Company B”), bid for and were awarded a Project-financed contract (“Contract X”).

Evidence indicates Company A and Company B, along with Company B affiliate (“Company C”), misrepresented the identity of Company A’s Contract X sub-consultant—claiming Company B was the sub-consultant when Company C was the *de facto* sub-consultant—in order to conceal Company C’s potential conflicts of interest.

Evidence indicates that Company A, Company B, and Company C misrepresented Company A’s role as the Contract X lead consultant, using Company A’s qualifications to win the contract when Company C was the *de facto* lead consultant. Further evidence indicates that Company A, Company B, and Company C misrepresented Company A’s role in hiring the Contract X Team Leader.

Evidence indicates that Company A and Company C/Company B inflated the Team Leader’s man-month input, thereby inflating the Contract X amount.

Further evidence indicates that Company A attempted to mislead INT by providing falsified evidence.

In November 2018, the World Bank imposed the sanction of debarment with conditional release on Company A, Company B and Company C

Background

In November 2007, the International Development Association (the “Bank”) and the Socialist Republic of Vietnam signed a US Dollar (“USD”) 155,210,000 Financing Agreement for the Hanoi Urban Transport Development Project (the “Project”). The Project was co-financed, in the amount of USD 9,800,00, by the Global Environment Facility (“GEF”) with the Bank acting as an implementing agency. The Project became effective in April 2008 and closed in December 2016.

The Project aimed to increase urban mobility in targeted areas in Hanoi by: (i) increasing the use of public transport in selected traffic corridors; and (ii) reducing travel times between the city center and the west and northwest sections of the city. The Project also aimed to promote more environmentally sustainable transport modes and urban development plans for Hanoi. The Hanoi Urban Transport Development Project Management Unit (the “PMU”), within Hanoi’s Transport and Urban Public Works Service, managed and supervised the implementation of the Project.

In August 2011, the PMU issued a Request for Expressions of Interest for Contract X. Six firms including Company A, were shortlisted and asked to submit proposals. By September 2012, Company A submitted its proposal and identified Company B as its sub-consultant. In January 2013, the PMU signed Contract X with Company A for USD 201,830 exclusive of tax.

Company A has had three contracts under Bank-financed projects in Vietnam, two of which were signed in association with Company C or Company B, including Contract X.

Allegations

INT received allegations that Company A and Company B misrepresented their consultants’ man-months inputs and failed to mobilize consultants as required under Contract X.

Findings

- 1. Evidence indicates that Company A, Company C, and Company B misrepresented the identity of the Contract X sub-consultant in order to conceal potential conflicts of interest.***

In their proposals for Contract X, consultants were required to provide the full name and address of each associated sub-consultant. Moreover, consultants could not be hired for any assignment that might conflict their existing assignments and were required to disclose any actual or potential conflict.

Evidence indicates that when competing for and carrying out Contract X, Company A misrepresented Company B as its sub-consultant, while Company C was the de facto sub-consultant that prepared the proposals for and implemented Contract X.

Evidence indicates that Company C and Company B, both Vietnamese consulting firms, are closely affiliated by ownership and operational structure, including shared office space and staff. Although Company B and Company C’s business registrations do not show any overlapping

shareholders, evidence indicates that both are controlled by the same individual. Evidence indicates that this individual led not only Company A's proposal preparation but also Contract X's implementation. Evidence indicates that he also presented himself as Company B's principal or owner.

Evidence indicates that Company C had potential conflicts of interest with Contract X. Evidence indicates that when Company C was preparing Company A's proposal for Contract X, Company C was also competing for three downstream consultancy services contracts, and if Company C had won any of the three downstream contracts, it would have had to review its own work.¹

Evidence indicates that because of this potential conflict of interest, Company A and Company C concealed Company C's involvement in Contract X. Evidence indicates that initially, Company A notified the PMU that it had formed an association with Company C for Contract X. However, evidence indicates that one week before submitting the proposal for Contract X, Company C asked Company A to replace Company C with Company B because their association would be unlikely to win given Company C's participation in the competition for other conflicting downstream contracts. Evidence indicates that on the same day, Company A notified the PMU that it would associate with Company B for the Contract X.

2. Evidence indicates that Company A, Company C, and Company B misrepresented Company A's role as Contract X's lead consultant.

Company A's proposal and Contract X expressly identified Company A as the lead consultant that would assume full accountability for consulting services and deliverables. Company A also represented that it would employ an international expert (the "International Expert") for Contract X's team leader position and provide its own managing director as Contract X's project director.

Evidence indicates that contrary to its representations, Company A did not carry out Contract X as the lead consultant but made Company C/Company B the *de facto* lead consultant. Evidence indicates that before signing Contract X, Company A and Company C/Company B entered into a subcontract, which required Company C/Company B to provide all the personnel and technical inputs, to perform the duties as defined in Contract X, to manage contract execution, and to deliver work products, while Company A was only responsible for signing all the report submission letters and commercial invoices for all the installment payments.

Evidence indicates that Company C/Company B, not Company A, negotiated Contract X with the PMU, with Company A only providing the electronic signature of its representative for the meeting minutes. Evidence indicates that neither Company A's Managing Director, who was designated as Contract X's project director, nor any other Company A representative attended contract negotiations. Evidence indicates that Company A's representative and Contract X's Project Director had never met any of the professional staff hired under the Contract X nor did s/he attend

¹ Ultimately, Company C was not involved in the implementation of any of the three contracts. Company C was the proposed sub-consultant on another company's ("Company S") bid for the Contract Y; Company C itself bid for the Contract Z and Contract M. Company S was awarded the Contract Y but did not ultimately execute it with Company C. Moreover, Company C, though it was shortlisted and submitted proposals for the Contract Z and Contract M, did not win them.

any meetings with the professional staff or with the PMU, until June 2014, 18 months after the Contract X was signed.

Further evidence indicates that it was Company C/Company B, not Company A, that performed the duties as defined in Contract X. Evidence indicates that Company A did not employ or provide any experts, including the team leader. Evidence indicates that Company C/Company B, on the other hand, hired, mobilized, managed, and directed payments to the team leader. Evidence indicates that Company C/Company B also controlled supporting staff's mobilizations, assigned tasks, and assembled/drafted reports required by Contract X. Moreover, evidence indicates that Company A did not review any work product produced by the team leader or other experts, except for the first Semi-Annual Report ("SAR") which was drafted by Company C/Company B.

3. Evidence indicates that Company A and Company C/Company B misrepresented Company A's role in hiring the Contract X Team Leader.

In the proposal for Contract X, and during the contract implementations, Company A and Company C/Company B consistently represented to the PMU that the team leader position was filled by the International Expert, proposed and provided by Company A. However, evidence indicates that the team leader was neither recruited by Company A nor in any kind of contractual relationship with Company A.

Evidence indicates that when Company A and Company C/Company B formed their association, Company A agreed that Company C/Company B would propose, employ, and provide all Contract X experts, including the Team Leader. Evidence indicates that pursuant to this internal agreement, Company C identified, approached, and recruited the team leader in April 2012. Evidence indicates that until June 2014, Company A had not even reviewed the team leader's contract with Company C/Company B, including his man-month commitment and payment, and had never met the Team Leader in person.

4. Evidence indicates that Company A and Company C/Company B misrepresented the team leader's man-month input, thereby inflating the Contract X amount.

Contract X's Request for Proposals provided the suggested man-months for the team leader position (8 man-months). The number of the man-months was not mandatory and the consultant could make their own estimated man-months in the proposal.

Company A and Company C/Company B's proposals provided that they would hire the International Expert for the team leader position for 8 man-months. In April 2014, 16 months after the Contract X was signed, the PMU requested Company A confirm personnel commitments and the team leader's man-month commitment. Company A confirmed that the team leader would work 8 man-months.

Evidence indicates that Company A and Company C/Company B misrepresented the team leader's man-month commitment. Evidence indicates that seven days after Contract X was signed, Company C/Company B signed a contract with the International Expert, which expressly provided that the Team Leader would work a total of 2.5 man-months.

Evidence indicates that Company A inflated its Contract X amount. The Contract X amount, as proposed by Company A and Company C/Company B in their Financial Proposal, was USD 201,830. This amount was calculated based on, among other things, compensating the Team Leader USD 16,000 per man-month for 8 man-months (USD 128,000 total). However, because Company A and Company C/Company B only contracted the Team Leader for 2.5 man-months at USD 14,600 per man-month (total USD 36,500)², the Contract price was therefore inflated by the difference in payment.

5. Evidence indicates that Company A attempted to interfere with INT's inquiry by providing falsified evidence.

Company A claimed that it had identified and approached the International Expert for the team leader position before Company C/Company B. In support of this claim, Company A provided INT with an email chain between the International Expert and Company A dated to April 2012. Evidence indicates that this email was altered by Company A by deleting the team leader's references to an earlier engagement with Company C.

Corrective Actions

In November 2018, the World Bank imposed the sanction of debarment with conditional release on Company A, Company C and Company B.

² Evidence indicates that the International Expert eventually resigned from the Contract X, with Company A and Company C paying the Team Leader US\$ 24,127.90 total.