



Republic of Albania

**Power Sector Rehabilitation and Restructuring Project &
Power Sector Generation and Restructuring 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 that Company A may have engaged in misconduct in connection with the Power Sector Rehabilitation and Restructuring Project (the PSRRP) and the Power Sector Generation and Restructuring Project (the PSGRP) in Albania.

Implementing Agency A was the implementing agency for both projects. The Invitation for Bids for the PSRRP, and the Invitation for Prequalification for the PSGRP, required that each bidder disclose any commissions or gratuities paid, or to be paid, to agents relating to the bid.

Evidence indicates that Company A failed to disclose its contractual arrangement with Company B when competing for PSRRP and PSGRP contracts. Specifically, evidence suggests that, contrary to Company A's bid declarations, Company A entered into an agreement with Company B, under which Company A would pay for Company B's consulting services.

The World Bank imposed sanctions on Company A.

Background

The Power Sector Rehabilitation and Restructuring Project (the PSRRP) aimed to achieve a significant improvement in the operational effectiveness of the power sector in Albania through, among other things, the: (i) implementation of electricity-loss-reduction measures; (ii) enforcement of billing, collection and disconnection policies; and (iii) introduction of electricity price rationalization measures. The PSRRP was financed by an International Development Association (IDA)¹ credit and by the Government of Albania. The PSRRP became effective in October 2002 and closed in December 2006.

The Power Sector Generation and Restructuring Project (the PSGRP) in Albania aimed to achieve significant improvement in power system performance through: (i) priority investments to increase domestic thermal generation; and (ii) measures to implement sector reforms and institutional strengthening. The PSGRP was financed by, *inter alia*, an IDA credit and funds from an Albanian corporation, Implementing Agency A. The PSGRP became effective in January 2005 and closed in December 2011.

In response to Implementing Agency A's advertised Invitation for Bids, Company A submitted a bid for a contract under the PSRRP (the PSRRP Contract). The bidding documents for the PSRRP Contract required that each bidder disclose whether any commissions or gratuities paid, or to be paid, to agents relating to the bid and/or to the contract execution. Company A's bid included a declaration that no agents had been, or were to be, paid commissions or gratuities in connection with its bid. Following the evaluation process, Implementing Agency A awarded the PSRRP Contract to Company A, and entered into the PSRRP Contract with Company A.

Implementing Agency A also issued an Invitation for Prequalification for a contract under the PSGRP (the PSGRP Contract). Company A submitted an application for prequalification. Company A's application included a declaration that no commissions, gratuities or fees were paid or to be paid to any agents regarding the PSGRP Contract prequalification process, bidding process, or contract execution. After prequalifying, Company A submitted its bid, which again included the same declaration. Company A subsequently withdrew its bid for unrelated reasons.

Methodology

INT's investigation consisted of a review of Project documents, as well as documents and statements obtained from Company A and its parent company. INT also interviewed several current and former Company A employees.

¹ IDA is one of the five institutions comprising the World Bank Group. IDA and International Bank for Reconstruction and Development (IBRD) constitute the World Bank. Therefore, IDA and the World Bank are used interchangeably throughout this Report.

Findings

Evidence indicates that Company A failed to disclose its contractual arrangement with Company B when competing for the PSRRP and PSGRP Contracts.

Evidence indicates that, in connection with its PSRRP and PSGRP bids, Company A entered into contractual agreements with Company B before the issuance of the Invitation for Bids for the PSRRP Contract and the Invitation for Prequalification for the PSGRP Contract. According to the agreements between Company A and Company B, Company B was to provide Company A with consultancy services related to the relevant tenders, spanning from bid preparation to contract implementation. The services were to include the provision of local knowledge, intelligence on the Albanian market, advice on the bid proposals, and building and managing relations with the client. Company B was to be paid on a success fee basis, subject to the successful award of the two contracts to Company A.

Specifically, evidence suggests that, regarding the PSRRP Contract, Company A agreed to pay Company B a certain percentage depending on the amount of the contract. Evidence suggests that Company B was paid a certain amount in connection with the PSRRP Contract. Regarding the PSGRP Contract, evidence indicates that Company B was paid only service expenses, and did not receive any success fee payments because the Company A – Company B consortium withdrew its bid.

Evidence indicates that Company A failed to disclose these arrangements with Company B, and instead made tender declarations that the arrangements did not exist.

During INT's investigation, two former Company A employees informed INT that Company A used agents in order to secure the award of contracts and that Company A's policy was to not disclose its use of those agents. During an initial interview with INT, current Company A employees, including senior officials, denied having used, or even knowing of, Company B.

Subsequently, INT sent letters to both Company A and its parent company (the Parent Company) regarding INT's findings above. In response, both companies conducted internal investigations. At the conclusion of those investigations, both companies acknowledged that Company A had retained Company B as an agent for the PSRRP and PSGRP Contracts, and had failed to disclose those agency arrangements. The Parent Company acknowledged that Company A's non-disclosure of Company B as an agent was improper and inconsistent with the Parent Company's governing policies. As a result of its internal investigation, the Parent Company terminated several senior officials of Company A.

Follow Up Action by the World Bank

The World Bank imposed sanctions on Company A.