



Russian Federation

Moscow Urban Transport 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 Moscow Urban Transport Project (the Project) in the Russian Federation.

INT's investigation focused on a Project consultant (the Consultant), who was the Director of Company B and its successor Company C. The Consultant was hired as a consultant by the project office (the Project Office) to design a tender, evaluate bids, and supervise the implementation of a Contract under the Project (the Contract). Company A won the Contract.

Evidence indicates that the Consultant disclosed confidential information to Company A regarding the Contract, prior to the award of the Contract.

Evidence also indicates that the Consultant and Company C, as a successor to Company B, continued to provide confidential information regarding the Contract to Company A, prior to the award of the Contract.

Evidence indicates that after Company A won the Contract, the Consultant continued to work for Company A, through another company, Company D.

The World Bank Group imposed a sanction of debarment with conditional release on Company A and the Consultant, which extends to any legal entity directly or indirectly controlled by Company A or the Consultant.

Background

The Moscow Urban Transport Project (the Project) in the Russian Federation was designed to improve institutional capacity in planning, implementing, operating, and enforcing traffic management measures in Moscow. The Project was financed by an International Bank for Reconstruction and Development (IBRD)¹ loan.

The Project became effective in September 2001, and closed in December 2008. Project funds were administered by the Project Office, an autonomous non-commercial organization founded by the Russian authorities. Company A won a contract under the Project (the Contract).

Beginning in late 2003, a consultant (the Consultant), as Director of Company B and its successor Company C, was contracted by the Project Office through a series of World Bank-financed contracts to prepare the bidding documents for the Contract, to evaluate the technical bids for the bidding process, and to supervise the implementation of the Contract.

Allegations

The World Bank Group Integrity Vice Presidency (INT) received an allegation that the Consultant provided confidential information regarding the Contract to Company A.

Methodology

INT's investigation consisted of, among other steps, a review of the Project documents, as well as documents and statements obtained from Company A, the Consultant, and the Project Office.

Findings

1. Evidence indicates that the Consultant disclosed confidential information to Company A regarding the Contract, prior to the award of the Contract.

The applicable World Bank Consultant Guidelines provided that “the consultant and its affiliates shall not engage in consulting activities that conflict with the interest of the client under the contract.” A paragraph of the initial contract between the Project Office and the Consultant, in his/her role as Director of Company B, further provided that “the Consultant and any entity affiliated with the Consultant, shall be disqualified from providing goods, works or services . . . for any project resulting from or closely related to” his/her work on the Project.

The Consultant's formal relationship with the Project Office began in late 2003, when the Project Office awarded the Consultant, as Director of Company B, the first consultancy services contract. The contract was later amended twice to extend the scope of services.

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

Evidence indicates that shortly after the Project Office and the Consultant signed the first contract, the Consultant, on behalf of Company B, signed a contract with Company A to provide consultancy services for another project in the Russian Federation that was not World Bank-financed. Evidence indicates that under the agreement, Company B provided advice on Company A's proposed design.

- a. *Evidence indicates that the Consultant disclosed confidential information to Company A about the Contract's technical specifications before the tender was published.*

Evidence indicates that in an internal Company A e-mail, a Company A employee stated that: (i) Company B and the Consultant had been hired by the Project Office to examine the tender documents for the Contract; (ii) the Consultant would inform Company A how long it would take to complete the tender documentation; (iii) Company A should try to influence the "concept;" and (iv) Company A should be able to obtain the tender documentation prior to the public invitation to the tender.

Evidence also indicates that the Consultant requested Company A to provide information on the features of Company A's product while designing the tender's technical specifications. A Company A employee told INT that the Consultant had asked Company A to provide unique and special features about its products. Although s/he could not remember whether Company A delivered such unique features in the end, the Company A employee recalled that Company A had provided a detailed list of product requirements to the Consultant. In an interview with INT, the Consultant stated that s/he had obtained advice from Company A on the bidding specifications, because Company A had a high level of expertise and because the purpose of the Contract was to render first-class products.

Evidence also indicates that in an e-mail to Company A, the Consultant wrote that s/he was sending the technical specifications for the Contract and requested Company A to send its cost estimates. Evidence indicates that the Consultant reported to Company A that s/he needed time to prepare the bill of quantities, informed Company A of when the tender process would start, and stated that it would consist of two planned stages. Evidence further indicates that the attachment to the Consultant's e-mail listed the technical specifications. Evidence indicates that Company A responded to the Consultant with its price estimates.

Evidence indicates that the Consultant subsequently reported to Company A that s/he was completing the tender documents and requested Company A to urgently provide its technical specifications and power consumption information for electronic displays to be used in the Contract. Evidence indicates that two months before the tender was published, the Consultant e-mailed the tender's technical specifications to Company A.

Evidence also indicates that the Consultant e-mailed Company A the revised tender specifications and wrote that an engineer employed by Company B had incorporated Company A's amendment proposals into the tender specifications.

- b. Evidence indicates that the Consultant received payments from Company A in exchange for providing confidential information regarding the Contract.*

Evidence indicates that each time the Consultant disclosed confidential information about the tender, Company B invoiced Company A, purportedly for Company B's services performed under another consulting contract with Company A. The timing of the invoices, however, suggests that the work invoiced may have corresponded instead to the Contract.

For example, evidence indicates that after the Consultant sent the e-mail to Company A attaching the technical specifications, and Company A responded with its price estimates, Company B invoiced Company A in the same month. Similarly, evidence indicates that after the Consultant provided additional information, Company B invoiced Company A in the next month.

- c. Evidence indicates that the Consultant concealed his/her relationship with Company A from the Project Office.*

In an interview with INT, a witness stated that the Consultant asked Company A to delete his/her name and to use a code name in all correspondence relating to the Contract. The witness told INT that the Consultant was concerned that the Project Office might become aware of the Consultant's discussions with Company A. In an interview with INT, Project Office officials stated that they had not known that the Consultant was disclosing confidential information about the tender to Company A.

INT's review of documentary evidence indicates that correspondence between the Consultant and Company A was marked with a code name. When INT asked the Consultant about the code name, s/he said that s/he did not recall ever asking Company A to delete his/her name when forwarding e-mails that s/he had sent. The Consultant stated that the code name was used not to conceal anything, but rather to indicate the importance of the messages. According to the Consultant, Company A employees would take too long to respond to his/her e-mails, but if s/he used the code name they would reply immediately.

2. Evidence indicates that the Consultant and Company C, as a successor to Company B, continued to provide confidential information regarding the Contract to Company A, prior to the award of the Contract.

Company C was founded by the Consultant and his/her business partner. After the Consultant left Company B, Company B transferred its rights and liabilities to Company C. Subsequently, the Project Office awarded a contract to the Consultant and Company C in relation to the Contract.

Evidence indicates that Company B and Company C informed Company A that all outstanding performance under Company B's consulting contract had been transferred from Company B to Company C, and that Company A should make all outstanding payments under existing contracts to Company C.

Evidence indicates that, as a Director of Company C, the Consultant continued to disclose confidential tender information to Company A and to receive payments from Company A. For

example, evidence indicates that Company A learned before the Contract award that it had been recommended by the tender committee as the winning bidder. Evidence further indicates that a week before the Project Office awarded the Contract to Company A, Company C sent an invoice to Company A, purportedly for services that Company B provided under its consulting contract with Company A.

3. Evidence indicates that after Company A won the Contract, the Consultant continued to work for Company A, through Company D.

The Consultant's contract with the Project Office prohibited the Consultant and his/her affiliates from providing services for any project related to the Contract even after the award of the Contract. However, evidence indicates that immediately after the Project Office awarded the Contract to Company A, Company A offered a formal consultancy to Company D, another firm managed by the Consultant and his/her business partner. Evidence indicates that in an email purportedly exchanged between the business partner and Company A, the business partner informed Company A that the Consultant would be appointed as project manager if Company D were awarded the relevant contract from the Project Office. Evidence indicates that Company D sent an invoice for this service.

Evidence indicates that Company D subsequently offered to provide consulting services for Company A in the planning and supervision of the Contract itself. Evidence indicates that Company A accepted Company D's offer and sent an order.

Evidence indicates that the contract between Company D and Company A was treated by the parties as strictly confidential and was made available only to a limited number of technical and executive staff of both Company A and Company D. Evidence further indicates that both companies also agreed to keep Company A's employment of the Consultant confidential.

Subsequently, evidence indicates that the Consultant's business partner briefed Company A about the completion of tasks assigned to Company D under the Contract and proposed a supplemental offer for related work. Evidence indicates that Company A accepted the offer and sent an order to Company D for the continued work. Evidence indicates that pursuant to the supplemental offer, the Consultant conducted additional work and Company A paid Company D for these services via an invoice. Evidence indicates that the expenses included the hourly rate for the Consultant's services and ancillary costs. Evidence further indicates that the invoice also included the Consultant's timesheet, which listed the types of services that the Consultant provided to Company A for the Contract. The Consultant's business partner submitted a statement to INT in which s/he stated that the Consultant had provided services to Company A under the Contract.

Follow Up Action by the World Bank

The World Bank Group imposed a sanction of debarment with conditional release on Company A and the Consultant, which extends to any legal entity directly or indirectly controlled by Company A or the Consultant.