

World Bank bars L&T for six months over forgery by executive

World Bank has barred Larsen & Toubro (L&T) from doing any business with it or the projects funded by it for 6 months, after finding that a senior executive of the Indian conglomerate has indulged in fraud.

The debarment will continue till September 6, making L&T ineligible for being awarded contracts for any World Bank-funded projects, from receiving any loan proceeds made by the Bank or participating in any Bank-financed project.

In a statement, L&T said the six-month sanction against it would not have any significant impact on its business.

The sanction order, dated March 7, said that L&T's ineligibility would continue across the entire World Bank group and has been imposed on L&T "for fraudulent practices" as per the bank's Procurement Guidelines against Fraud and Corruption.

During the debarment period, L&T as well as any of the entities controlled directly or indirectly by it can't be nominated even subcontractor, consultant, manufacturer, supplier or even service provider to an otherwise eligible firm being awarded a World Bank-financed project.

The matter pertains to a bid submitted by L&T through Regional Business Head of its Medical Equipment and Systems unit to a World Bank-financed project in Tamil Nadu.

In January 2005, the World Bank Group had entered into a Development Credit Agreement with the Indian government to provide \$110.83 million of International Development Association credit for the Tamil Nadu Health Systems Project.

It was set up to improve the effectiveness of health systems in the state by increasing access to critical health services for poor, disadvantaged and tribal groups.

In July 2008, bidding documents were issued by Tamil Nadu Medical Service Corporation for a contract to supply 130 ultrasound scanners under the Project, following which L&T submitted a bid on September 3, 2008 through the said Regional Business Head.

Upon technical and financial evaluation, L&T's bid was found to be the lowest-priced, but a complaint was received later that some of the certificates submitted with the bid might have been forged.

The bid contained a total 115 performance certificates purportedly issued by medical facilities stating that the ultrasound scanners supplied by L&T were working well.

After the company was asked to explain, the Regional Business Head said that some medical facilities may have mistakenly denied issuing the certificates and requested that L&T "not be viewed as (having) indulged in fraudulent practice".

In December 2008, L&T was informed that the tender has been cancelled and the contract was awarded to another firm through a new bidding process.

After looking into the matter, the World Bank's Integrity Vice Presidency (INT) alleged that L&T "engaged in fraudulent practices by submitting forged performance certificates with its bid".

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