

Notice of Uncontested Sanctions Proceedings

January 4, 2022

**Sanctions Case No. 712
IDA Credit Number 5698-UZ
(Additional Financing for the Uzbekistan Bukhara and
Samarkand Sewerage Project)**

**Respondents:
“KogonNefteGazEnergoService” LLC
JV “KogonRemStroyKomplekt”**

1. On September 21, 2021, the World Bank’s Chief Suspension and Debarment Officer (the “SDO”) issued a Notice of Sanctions Proceedings (the “Notice”) to “KogonNefteGazEnergoService” LLC (“NGES”) and JV “KogonRemStroy Komplekt” (“RSK”) (collectively, the “Respondents”) pursuant to sub-paragraph 4.01(a) of Section III.A of the Bank Procedure: Sanctions Proceedings and Settlements in Bank Financed Projects issued by the Bank on June 28, 2016 (the “Sanctions Procedures”).
2. The Statement of Accusations and Evidence (the “SAE”) prepared by the Bank’s Integrity Vice Presidency (“INT”) and appended to the Notice contained INT’s accusations that the Respondents engaged in Sanctionable Practices (as defined in the Sanctions Procedures) in connection with the above-named project (the “Project”). The SAE also contained the evidence gathered by INT in support of these accusations.
3. The specific accusations made by INT in the SAE were that the Respondents engaged in fraudulent practices by misrepresenting their past experience in their consortium bid for a sewerage networks and pumping station works contract under the Project. In particular, the SAE alleged that NGES knowingly misrepresented that it had previously completed a United States Dollars (“US\$”) 16.214 million wastewater treatment construction contract for the Ulyanovsk Municipal Unitary Enterprise “UlyanovskVodokanal” (“Vodokanal”). The SAE similarly alleged that RSK knowingly misrepresented that it had previously completed a US\$ 9.78 million pipe distribution construction contract for Vodokanal.
4. Based on a review of INT’s SAE conducted in accordance with sub-paragraph 4.01(a) of Section III.A of the Sanctions Procedures, and pursuant to sub-paragraph 4.01(c), sub-paragraph 9.01, and sub-paragraph 9.04 of Section III.A of the Sanctions Procedures, with due consideration of the factors set forth in sub-paragraph 9.02 of Section III.A of the Sanctions Procedures and in the World Bank Group Sanctioning Guidelines, the SDO recommended in the Notice that the Respondents, together with certain Affiliates (as defined in the Sanctions Procedures) where so specified, be sanctioned as follows:

Respondent 1
“KogonNefteGazEnergoService” LLC (“NGES”)

**Recommended Sanction: Debarment with Conditional Release
Minimum Period of Ineligibility of Three (3) Years**

It is recommended that NGES (together with any entity that is an Affiliate directly or indirectly controlled by NGES) be declared ineligible (i) to be awarded or otherwise benefit from a Bank-financed contract, financially or in any other manner;¹ (ii) to be a nominated² sub-contractor, consultant, manufacturer or supplier, or service provider of an otherwise eligible firm being awarded a Bank-financed contract; and (iii) to receive the proceeds of any loan made by the Bank or otherwise to participate further in the preparation or implementation of any Bank-Financed Project; provided, however, that after a minimum period of ineligibility of three (3) years, NGES may be released from ineligibility only if NGES has, in accordance with sub-paragraph 9.03 of Section III.A of the Sanctions Procedures, demonstrated to the Bank Group’s Integrity Compliance Officer that NGES has complied with the following conditions:

- (a) NGES has taken appropriate remedial measures to address the sanctionable practices for which NGES has been sanctioned; and*
- (b) NGES has adopted and implemented, in a manner satisfactory to the Bank, integrity compliance measures as may be imposed by the Bank Group’s Integrity Compliance Officer pursuant to sub-paragraph 9.03(b) of Section III.A of the Sanctions Procedures (e.g., an integrity compliance program or elements thereof) to address the Sanctionable Practices.*

In determining this recommended sanction, the SDO did not apply any aggravating or mitigating factors.

This declaration of ineligibility will extend across the operations of the World Bank Group, including IFC, MIGA, and the guarantee and carbon

¹ *For the avoidance of doubt, the declaration of ineligibility to be awarded a contract will include, without limitation, (i) applying for pre-qualification, expressing interest in a consultancy, and bidding, either directly or as a nominated sub-contractor, nominated consultant, nominated manufacturer or supplier, or nominated service provider, in respect of such contract, and (ii) entering into an addendum or amendment introducing a material modification to any existing contract.*

² *A nominated sub-contractor, nominated consultant, nominated manufacturer or supplier, or nominated service provider (different names are used depending on the particular bidding document) is one which has been (i) included by the bidder in its pre-qualification application or bid because it brings specific and critical experience and know-how that allow the bidder to meet the qualification requirements for the particular bid or (ii) appointed by the borrower.*

finance operations of the Bank.³ The Bank will also provide notice of this declaration of ineligibility to the other multilateral development banks (“MDBs”) that are party to the Agreement for Mutual Enforcement of Debarment Decisions (the “MDB Cross-Debarment Agreement”) so that they may determine whether to enforce the declarations of ineligibility with respect to their own operations in accordance with the MDB Cross-Debarment Agreement and their own policies and procedures.⁴

Respondent 2
JV “KogonRemStroyKomplekt” (“RSK”)

**Recommended Sanction: Debarment with Conditional Release
Minimum Period of Ineligibility of Two (2) Years and Ten (10) Months**

It is recommended that RSK (together with any entity that is an Affiliate directly or indirectly controlled by RSK) be declared ineligible (i) to be awarded or otherwise benefit from a Bank-financed contract, financially or in any other manner;⁵ (ii) to be a nominated⁶ sub-contractor, consultant, manufacturer or supplier, or service provider of an otherwise eligible firm being awarded a Bank-financed contract; and (iii) to receive the proceeds of any loan made by the Bank or otherwise to participate further in the preparation or implementation of any Bank-Financed Project; provided,

³ Sanctions Procedures . . . , sub-paragraph 9.01(c) of Section III.A. For the avoidance of doubt, the declaration of ineligibility also extends to activities financed through trust funds administered by the Bank to the extent governed by the Bank’s Procurement Regulations (or either of the Regulations’ predecessor documents, the Procurement Guidelines and Consultant Guidelines) or Anti-Corruption Guidelines. *Id.*, sub-paragraph 1.01(c)(i) of Section III.A.

⁴ At present, the parties to the MDB Cross-Debarment Agreement are the Bank Group, the African Development Bank Group, the Asian Development Bank, the European Bank for Reconstruction and Development, and the Inter-American Development Bank Group. The MDB Cross-Debarment Agreement provides that, subject to the prerequisite conditions set forth in the MDB Cross-Debarment Agreement, unless a participating MDB (i) believes that any of the prerequisite conditions set forth in the MDB Cross-Debarment Agreement have not been met or (ii) decides to exercise its rights under the “opt out” clause set forth in the MDB Cross-Debarment Agreement, each participating MDB will promptly enforce the debarment decisions of the other participating MDBs.

⁵ For the avoidance of doubt, the declaration of ineligibility to be awarded a contract will include, without limitation, (i) applying for pre-qualification, expressing interest in a consultancy, and bidding, either directly or as a nominated sub-contractor, nominated consultant, nominated manufacturer or supplier, or nominated service provider, in respect of such contract, and (ii) entering into an addendum or amendment introducing a material modification to any existing contract.

⁶ A nominated sub-contractor, nominated consultant, nominated manufacturer or supplier, or nominated service provider (different names are used depending on the particular bidding document) is one which has been (i) included by the bidder in its pre-qualification application or bid because it brings specific and critical experience and know-how that allow the bidder to meet the qualification requirements for the particular bid or (ii) appointed by the borrower.

however, that after a minimum period of ineligibility of two (2) years and ten (10) months, RSK may be released from ineligibility only if RSK has, in accordance with sub-paragraph 9.03 of Section III.A of the Sanctions Procedures, demonstrated to the Bank Group's Integrity Compliance Officer that RSK has complied with the following conditions:

- (a) RSK has taken appropriate remedial measures to address the sanctionable practices for which RSK has been sanctioned; and
- (b) RSK has adopted and implemented, in a manner satisfactory to the Bank, integrity compliance measures as may be imposed by the Bank Group's Integrity Compliance Officer pursuant to sub-paragraph 9.03(b) of Section III.A of the Sanctions Procedures (e.g., an integrity compliance program or elements thereof) to address the Sanctionable Practices.

In determining this recommended sanction, the SDO took into account, as a mitigating factor, evidence of RSK's limited voluntary corrective action, noting that RSK informed INT that it had convened a meeting of its founders after receiving INT's Show Cause Letter and decided to terminate the contracts of several individuals. The SDO did not apply any additional mitigating factors or any aggravating factors.

This declaration of ineligibility will extend across the operations of the World Bank Group, including IFC, MIGA, and the guarantee and carbon finance operations of the Bank.⁷ The Bank will also provide notice of this declaration of ineligibility to the other MDBs that are party to the MDB Cross-Debarment Agreement so that they may determine whether to enforce the declarations of ineligibility with respect to their own operations in accordance with the MDB Cross-Debarment Agreement and their own policies and procedures.⁸

⁷ Sanctions Procedures . . . , sub-paragraph 9.01(c) of Section III.A. For the avoidance of doubt, the declaration of ineligibility also extends to activities financed through trust funds administered by the Bank to the extent governed by the Bank's Procurement Regulations (or either of the Regulations' predecessor documents, the Procurement Guidelines and Consultant Guidelines) or Anti-Corruption Guidelines. *Id.*, sub-paragraph 1.01(c)(i) of Section III.A.

⁸ At present, the parties to the MDB Cross-Debarment Agreement are the Bank Group, the African Development Bank Group, the Asian Development Bank, the European Bank for Reconstruction and Development, and the Inter-American Development Bank Group. The MDB Cross-Debarment Agreement provides that, subject to the prerequisite conditions set forth in the MDB Cross-Debarment Agreement, unless a participating MDB (i) believes that any of the prerequisite conditions set forth in the MDB Cross-Debarment Agreement have not been met or (ii) decides to exercise its rights under the "opt out" clause set forth in the MDB Cross-Debarment Agreement, each participating MDB will promptly enforce the debarment decisions of the other participating MDBs.

5. Neither of the Respondents submitted an Explanation (as defined in the Sanctions Procedures) in accordance with sub-paragraph 4.02(b) of Section III.A of the Sanctions Procedures.
6. Sub-paragraph 4.04 of Section III.A of the Sanctions Procedures provides that if a respondent does not contest the accusation or the sanction recommended by the SDO in a Notice of Sanctions Proceedings by submitting a Response (as defined in the Sanctions Procedures) to the World Bank Group Sanctions Board (the “Sanctions Board”) within ninety (90) days after delivery of such Notice of Sanctions Proceedings, the sanction recommended by the SDO shall enter immediately into force.
7. No Response having been submitted to the Sanctions Board by either Respondent within the specified period, INT’s accusations in the SAE and the sanctions recommended by the SDO in the Notice are deemed uncontested for purposes of sub-paragraph 4.04 of Section III.A of the Sanctions Procedures, and the recommended sanctions set forth in paragraph 4 above have entered into force as of the date hereof.



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