



# Corporate liability for corruption in Russia

Enforcement and developments 2018/2019

# / Introduction

On 21 March 2019, the Russian general prosecutor's office published the corporate bribery enforcement statistics for 2018. These statistics show enforcement activity on the level of 2017, with a continuous focus on small and mid-scale bribery in the day-to-day operations of Russian companies. The legislator on the other hand intensified its anti-corruption efforts in 2018/2019 – in particular by extending the scope of corporate liability and introducing self-reporting rules for companies. Another trend is that, also in the Russian enforcement practice, the taking of anti-corruption measures by companies is becoming increasingly important. The key developments in the last year can be summarized as follows:

- ▶ Throughout 2018, the Russian law enforcement authorities opened 487 investigations against legal entities for bribery. These investigations resulted in the **conviction of 439 legal entities** according to Article 19.28 of the Russian Administrative Offences Code (*Unlawful remuneration on behalf of legal entity*). More than 300 legal entities have been added to the public register of offenders.
- ▶ Public prosecutors and courts have started to assess whether companies have implemented the **anti-corruption measures** of Article 13.3 of the Russian Anti-corruption Law when prosecuting them for corporate bribery. However, court practice still gives no guidance on the proper implementation of these measures in order to avoid the company's liability for bribery.
- ▶ Ongoing court practice confirms that **each organization** in Russia is obliged to take the anti-corruption measures of Article 13.3 of the Anti-corruption Law – irrespective of its legal form and size. Supported by the courts, the public prosecutors continued to actively check whether companies actually took these measures.
- ▶ In recent years, the number of successful court proceedings against directors to recover penalty payments imposed on the company has been constantly increasing. However, the mere **failure to prevent bribery** (i.e. failure to implement anti-corruption measures) currently does not suffice to recover penalty payments from the management.
- ▶ Legislative changes **extended the scope of liability** for corporate bribery under Article 19.28 of the Administrative Offences Code. On the other hand, companies can now exclude themselves from this liability by **self-reporting** to the authorities. Russian courts already have started to actually release companies from liability under these rules.
- ▶ In 2018/2019, the US Department of Justice (DOJ) and the US Securities and Exchange Commission (SEC) completed investigations for violations of the **US FCPA** in Uzbekistan, Russia, Kazakhstan and Azerbaijan. In contrast to Russian enforcement actions, these cases concerned large-scale bribery and resulted in significant penalty payments.

# / Russian enforcement actions against companies in 2018

## Focus on small and mid-scale bribery

According to information published by the general prosecutor's office on 21 March 2019<sup>1</sup>, in 2018 the Russian law enforcement authorities opened **487 investigations** against legal entities for bribery (based on Article 19.28 of the Administrative Offences Code, i.e. *Unlawful remuneration on behalf of a legal entity*). These investigations resulted in the **conviction of 439 legal entities**; the total amount of imposed penalty payments was RUB 691m (slightly above USD 10m).

More than 300 new legal entities have been included in the public register of offenders,<sup>2</sup> which now lists more than 1,700 entities in total. As an additional sanction, all legal entities convicted of bribery are prohibited from bidding in state procurement tenders (not including tenders of state-owned companies) for a period of two years from the date of conviction.<sup>3</sup>

The new enforcement statistics slightly fall behind the final statistics for 2017 with 503 investigations against legal entities, 464 convicted entities and total penalty payments of RUB 950m (approx. USD 14.6m).<sup>4</sup>

Press releases on the website of the general prosecutor's office provide further details on approx. one third of all convictions. The information published for 2018 reveals that, as in previous years, the Russian enforcement actions focused on **small and mid-scale bribery** in the day-to-day operations of Russian companies:

- ▶ Most bribe payments were made to low-ranking **civil servants** to avoid the payment of administrative fines (e.g. for the violation of road safety, migration or industrial safety requirements), or to receive state licenses or accelerate registration proceedings. In some cases, the companies paid bribes to civil servants to obtain smaller local business (e.g. to win municipal tenders for construction works or to lease municipal property).
- ▶ Commercial bribery concerned mostly bribe payments to **executives** of both state-owned entities and private companies. While bribe payments to executives of state-owned entities were made mostly to obtain supply contracts (quite often with hospitals), or to conceal administrative violations (e.g. in the forestry industry or the

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<sup>1</sup> <https://genproc.gov.ru/smi/news/archive/news-1575524/>.

<sup>2</sup> <https://genproc.gov.ru/anticor/register-of-illegal-remuneration/1334096/>.

<sup>3</sup> According to Article 31(1)(7.1) of Federal Law No. 44-FZ "On the contract system in state and municipal procurement of goods, works and services".

<sup>4</sup> <https://genproc.gov.ru/smi/news/archive/news-1342444/>.

transportation sector), executives of private companies usually were paid to manipulate tenders or otherwise favour the bribing company's business.

- ▶ The **bribe sums** in the disclosed cases ranged from RUB 5,000 (approx. USD 80) to RUB 5 million (approx. USD 80,000). Most bribe sums were in the five or six digit rouble range. Only in a few cases the amount of the bribe exceeded RUB 1m (approx. USD 17,000).
- ▶ The maximum penalty payment in the disclosed cases was RUB 30.5m (approx. USD 500,000), in three cases penalties of RUB 20m (approx. USD 330,000) were imposed. In most cases, only the statutory **minimum penalty** of RUB 1m (approx. USD 17,000) was imposed. In quite a number of cases this minimum amount was further reduced to RUB 500,000 (approx. USD 8,000) or RUB 400,000 (approx. USD 6,700), presumably because the entities were unable to pay RUB 1m.

In addition, the published information shows that the Russian enforcement actions targeted almost exclusively small and medium-sized companies with Russian beneficiaries (many in the construction and transportation business). No major Russian company was held liable in 2018. Apparently, there were no convictions of Russian subsidiaries of foreign companies and only one conviction of a foreign company – a Polish entity active in the mining industry.

As in previous years, none of the foreign enforcement actions based on bribery and corruption offences related to Russia (in particular under the US FCPA<sup>5</sup> or the UK Bribery Act) seem to have triggered any subsequent investigations by Russian law enforcement authorities.

## Anti-corruption measures as defence

Companies can be held liable under Article 19.28 of the Administrative Offences Code (*Unlawful remuneration on behalf of a legal entity*) if the prosecutors can prove that they had the possibility to prevent such bribery being committed by their employees or agents, but did not take all measures necessary to do so.

These measures include the set of anti-corruption measures which must be taken by Russian organizations according to **Article 13.3 of the Anti-corruption Law** (appointment of a compliance officer, adoption of a compliance code, prevention of conflicts of interest, cooperation with law enforcement authorities etc.). The **Supreme Court of the Russian Federation** expressly referred to the requirements of Article 13.3 of the Anti-corruption Law in a recent decision when convicting an organization for bribery.<sup>6</sup> Also some of the lower courts have referred to Article 13.3 of the Anti-corruption Law in their decisions.<sup>7</sup> Further, prosecutor's of-

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<sup>5</sup> Please see further below.

<sup>6</sup> Order of 21 February 2018 No. 5-AD17-110.

<sup>7</sup> E.g. Order of Nizhny Novgorod District Court of 5 February 2018 No. 4a-32/2018 and Order of Tambov District Court of 30 August 2018 in case No. 4A-218.

fices at the municipal level apparently have started to consider non-compliance with these requirements when bringing bribery charges against legal entities.<sup>8</sup>

However, even though a legal entity's anti-corruption efforts seem to play an increasingly important role in the Russian enforcement practice, available court practice still gives **no guidance** on the proper implementation of the anti-corruption measures in order to avoid liability under Article 19.28 of the Administrative Offences Code.

### Inspections of companies by prosecutors

Outside of bribery investigations, public prosecutors are actively performing inspections of Russian organizations to check whether they have actually adopted the anti-corruption measures of Article 13.3 of the Anti-corruption Law. These inspections seem to be quite frequent and target mostly Russian limited liability companies.<sup>9</sup> Practice shows that Russian subsidiaries of foreign companies are also subject to such checks.

Russian law does not specify sanctions for non-compliance with the requirements of Article 13.3 of the Anti-corruption Law. Therefore, if companies have not complied with the prosecutors' request to remedy defects identified during the inspection, the prosecutors are filing **civil law claims** against those companies "in the interest of an indefinite number of persons" which are processed by the courts. These claims regularly result in court orders obliging the companies to implement specific anti-corruption measures within a certain time period – usually one to two months.<sup>10</sup>

The relevant court practice confirms that **each organization** operating in Russia must implement the anti-corruption measures of Article 13.3 of the Anti-corruption Law – irrespective of its legal form or the number of its employees. For example, even small limited liability companies with not more than 15 employees are obliged to fully implement the anti-corruption measures according to Article 13.3 of the Anti-corruption Law.<sup>11</sup>

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<sup>8</sup> E.g. the prosecutor's offices of the cities Surgut and Uray in the Khanty-Mansi Autonomous Okrug (<https://genproc.gov.ru/smi/news/genproc/news-1371972/>; <https://genproc.gov.ru/smi/news/genproc/news-1366336/>; <https://genproc.gov.ru/smi/news/genproc/news-1384222/>).

<sup>9</sup> Yury Trunzevskiy, in: Compliance of organizations with the requirements of anti-corruption legislation: practical questions, Russian Law Journal 2019/2.

<sup>10</sup> As above.

<sup>11</sup> E.g. Appellate Order of the Khabarovsk Regional Court of 8 May 2015 in case No. 33-2947/2015.

# / Russian legislative developments in 2018/2019

## Extended scope of corporate bribery

Legislative changes which entered into force on 17 February 2019<sup>12</sup> have extended the scope of liability of legal entities for bribery according to Article 19.28 of the Administrative Offences Code (*Unlawful remuneration on behalf of legal entity*):

- ▶ Previously, this offence only covered cases of bribery by the company's representatives in the name or in the interest of the company itself. Under the amended law, bribery offences committed by the company's representatives in the interest of its **related companies** became similarly punishable. Since the term "related" is not defined under Russian law, any type of relation between the favored and the bribing company may suffice to constitute the latter's liability.
- ▶ Further, the changes clarify that bribe payments to the bribe taker include **payments to third parties** (individuals or legal entities) which have been designated by the bribe taker to receive the bribe. The purpose of these changes is to harmonize corporate liability with the liability of individuals under the Russian Criminal Code.<sup>13</sup>

The amended law does not require any relation between the bribe taker and the person designated by the bribe taker to receive the bribe. However, the extended scope of corporate bribery may have to be interpreted in the light of earlier **court practice**. In particular, in 2013 the Supreme Court of the Russian Federation stated that, as a principle, there is no bribery if the person making the payment understands that this payment "*is not intended for an unlawful enrichment of [the person requesting the payment] or his relatives or close persons*".<sup>14</sup> Following this view, for example charitable contributions to unrelated third parties would not fall within the extended scope of liability.

## Immediate payment of penalties

Legislative changes to the Administrative Offences Code which entered into force on 14 August 2018<sup>15</sup> significantly shortened the payment term for penalty payments under Article 19.28 of the Administrative Offences Code (*Unlawful remuneration on behalf of legal entity*) – from 60 to **seven calendar days** from the day the relevant court decision entered into force.

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<sup>12</sup> Introduced by Federal Law No. 570-FZ of 27 December 2018.

<sup>13</sup> According to the official explanations to the relevant draft law.

<sup>14</sup> Item 23 of Resolution No. 24 dated 9 July 2013.

<sup>15</sup> Introduced by Federal Law No. 298-FZ of 3 August 2018.

## Asset freeze to secure penalty payment

The above changes to the Russian Administrative Offences Code also authorise the prosecutor's office opening the investigation against a legal entity for violation of Article 19.28 of the Administrative Offences Code (*Unlawful remuneration on behalf of legal entity*) to freeze its assets based on a **court decision** in order to secure the penalty payment.

The decision of the court must indicate the specific circumstances justifying the asset freeze and determine the restrictions imposed on the company's assets. The freezing of bank accounts is only permitted if other assets of the company are not available. The value of the frozen assets must not exceed the maximum amount of the penalty payment under Article 19.28 of the Administrative Offences Code.

## Self-reporting of company

Companies can now exclude themselves from liability under Article 19.28 of the Administrative Offences Code (*Unlawful remuneration on behalf of legal entity*) by way of self-reporting to the Russian law enforcement agencies. Based on the changes to the Russian Administrative Offences Code which entered into force on 14 August 2018,<sup>16</sup> legal entities will be released from such liability if they **enabled** the

- ▶ uncovering of the relevant violation and conduct of an administrative investigation (against the company); and/or
- ▶ uncovering and investigation of the related criminal offence (committed by individuals acting in the name or interest of the company).

The self-reporting will release the company from penalty payments under Article 19.28 of the Administrative Offences Code. For extra large-scale bribery these penalties amount to 100 times the bribe sum but no less than RUB 100m (approx. USD 1.7m). In contrast to other jurisdictions, this release includes **100% of the penalty payment** and is mandatory; it is not subject to the discretion of the law enforcement agencies or courts.

The new self-reporting rules apply to all types of bribery except for bribery of foreign public officials. The Russian legislator chose to exclude such bribery from the self-reporting rules in order not to deviate from the OECD Convention on Bribery of Foreign Public Officials in International Business Transactions of 21 November 1997, to which Russia acceded and which does not provide for comparable rules.

The benefits of self-reporting will be limited to the reporting company itself. The **individuals** who made the bribe payments in the name or interest of the company – typically its employees and agents – will continue to face prosecution under the relevant provisions of the Criminal Code. These individuals may however benefit from separate leniency provisions of the Criminal Code, e.g. under Articles 204 (*Commercial bribery*) and 291 (*Bribery of officials*).

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<sup>16</sup> As above.

Based on general provisions of the Administrative Offences Code, the self-reporting rules apply to violations which occurred before the legislative changes entered into force. Available **court practice** shows that Russian courts have started to actually release companies from liability for bribery according to these rules.<sup>17</sup>

## No liability for extorted payments

Based on the same legislative changes, companies are now also released from penalty payments under Article 19.28 of the Administrative Offences Code (*Unlawful remuneration on behalf of legal entity*) if the bribes were extorted. These changes further harmonize corporate liability for bribery with the liability of individuals under to the Criminal Code.

## Limitation period for disciplinary measures

In practice, the need may arise for the company to impose disciplinary measures on its employees who have been involved corruption offences. However, any such measures must comply with the strict requirements of the Russian Labor Code. In particular, there is an overall limitation period for disciplinary measures which commences when the violation occurs. With effect from 8 January 2019, for violations of Russian anti-corruption legislation, this limitation period has been extended to **three years** (from previously six months).<sup>18</sup>

## Additional obligations of public companies

Recent amendments to Federal Law No. 208-FZ “On Joint-Stock Companies”<sup>19</sup> require public joint-stock companies to implement risk management and internal control measures. Public joint-stock companies are joint-stock companies whose shares are publicly traded or whose company name and charter refer to it as public. The measures must be implemented in two steps:

- ▷ Since 1 September 2018, a public company’s supervisory board is obliged to adopt **internal documents** of the company defining its policy on the organization of risk management and internal controls.
- ▷ From 1 July 2020, each public company must perform an **internal audit** to assess the reliability and efficiency of its risk management and internal controls. The audit must be performed by an officer of the company or a legal entity instructed by the company. To ensure independence from the company’s management, the auditor will be appointed and dismissed by the supervisory board. The supervisory board will also approve the terms of the employment or services agreement with the auditor.

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<sup>17</sup> E.g. Orders of Ivanovo District Court of 27 September 2018 No. 4a-236/2018 and 2 November 2018 No. 4a-281/2018.

<sup>18</sup> According to changes to Article 193(4) of the Labor Code introduced by Federal Law No. 304-FZ of 3 August 2018.

<sup>19</sup> Introduced by Federal Law No. 209-FZ of 19 July 2018.

The new risk management and internal control measures have to be implemented in addition to the anti-corruption measures required under **Article 13.3 of the Anti-corruption Law** (appointment of a compliance officer, adoption of a compliance code, prevention of conflicts of interest, cooperation with law enforcement authorities etc.).

## Restriction of disclosure of information

In 2018, the Russian Federation for the first time took comprehensive counter-measures to respond to the **US/EU sanctions** ([please see our review of Russian counter-sanctions 2018](#)). One of these measures was restricting the disclosure of information with respect to sanctioned persons:

- ▶ At the end of 2017, Federal Laws No. 481-FZ and 482-FZ authorized the Russian Government to determine the cases in which the mandatory disclosure of information can be restricted with respect to sanctioned persons. Apparently, these restrictions are designed to protect the business partners of sanctioned persons from the consequences of sanctions violations.
- ▶ Based on these laws, throughout 2018 the Russian Government issued orders restricting the disclosure of information relating to sanctioned persons by the Unified State Register of Legal Entities (Governmental Order No. 5 of 12 January), Russian joint stock companies and limited liability companies (No. 10 of 15 January), issuers of securities and credit history sources (No. 37 and 38 of 20 January; amended by Governmental Order No. 959 of 17 August), the Register of Notifications on Movable Property Pledges (No. 65 of 25 January), private pension funds (No. 1150 of 28 September), investment funds (No. 1201 of 5 October), insurance companies (No. 1322 of 3 November) as well as banks and credit organizations (No. 1403, 1404 and 1405 of 23 November). Information available from these sources may now be incomplete with respect to sanctioned persons.
- ▶ In addition, based on Federal Law No. 310-FZ of 3 August 2018 the Russian Government can restrict the mandatory disclosure of insider information. A draft Governmental Order published in October 2018 proposes limiting any disclosure relating to sanctioned persons from 1 May 2019.<sup>20</sup>

In practice, these sanction-driven restrictions may significantly complicate the appropriate **due diligence** on potential Russian counterparties for anti-bribery and corruption purposes.

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<sup>20</sup> Draft order published under <https://regulation.gov.ru/projects#npa=85195>.

# / Other important developments

## Anti-corruption requirements in tenders

According to recent court practice, the requirements of Article 13.3 of the Anti-corruption Law may also justify excluding non-transparent companies from public tenders – a practice which the Federal Antimonopoly Service (FAS) so far considered a violation of applicable law.

In particular, the Ninth Commercial Appellate Court referred to these requirements when invalidating a decision of FAS according to which the request for information on the **ultimate beneficial owners** of the participants in a public tender of a state-owned company restricted the number of participants and therefore violated statutory procurement rules. In particular, the court stated that this information would be needed by the company to prevent conflicts of interest which is one of the anti-corruption measures listed in Article 13.3 of the Anti-corruption Law.<sup>21</sup>

## Recovering penalties from the management

Each director of a Russian legal entity (CEO, management board member, supervisory board member) has **statutory duties** to act in the interest of the company, and to exercise his rights and obligations in good faith and reasonably. A director is liable for damages, including lost profit, caused to the company due to his culpable actions or inaction.<sup>22</sup>

Already in 2013, the Russian Supreme Commercial Court issued clarifications of certain questions which had arisen in court cases dealing with directors' liability.<sup>23</sup> The court stated that directors must take necessary and sufficient measures to ensure that the company complies with its public obligations imposed by applicable law. Otherwise, the penalties paid by the company due to non-compliance can be recovered from the director.<sup>24</sup> Approval by the company's shareholders' meeting does not exclude this liability.<sup>25</sup>

There is no statutory obligation of the company's corporate bodies to claim damages from directors. However, in the last years the number of successful court proceedings against

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<sup>21</sup> Order of the Ninth Appellate Commercial Court of 11 February 2019 No. 09AP-69021/2018.

<sup>22</sup> Article 53.1 of the Russian Civil Code, Article 71 of the Russian Law on Joint Stock Companies and Article 44 of the Russian Law on Limited Liability Companies.

<sup>23</sup> Resolution of 30 July 2013 No. 62 of the Plenum of the Supreme Commercial Court of the Russian Federation "On certain questions of the compensation of losses by persons belonging to the bodies of legal persons" (the "**Clarifications**").

<sup>24</sup> Item 4 of the Clarifications.

<sup>25</sup> Item 7 of the Clarifications.

directors to recover penalty payments has been constantly increasing. In most cases, claims were made against the company's **CEO** to recover penalty payments for administrative violations which occurred during the company's day-to-day activity. Also **supervisory board members** – in particular those of public joint stock companies – have been subject to such claims.<sup>26</sup>

In case of bribery offences, so far the courts seem to require that the director performed actions that resulted in the company's liability under Article 19.28 of the Administrative Offences Code (*Unlawful remuneration on behalf of legal entity*) to constitute his personal liability for compensation of damages.<sup>27</sup> That means that the mere **failure to prevent bribery** (i.e. failure to implement anti-corruption measures according to Article 13.3 of the Anti-corruption law) currently does not suffice to recover penalty payments from the management.

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<sup>26</sup> E.g. Decision of the Commercial Court of Voronezh region of 19 December 2013 in case No. A14-9260/2013.

<sup>27</sup> E.g. Order of the Presidium of the Saint Petersburg City Court of 30 March 2016 No. 44g-33/2016.

# / Russian legislative outlook for 2019

## Draft law – Protection of whistleblowers

Already on 13 December 2017, the State Duma adopted in its first reading amendments to the Anti-Corruption Law which introduced measures in Russia aimed at the protection of whistleblowers who report on corruption offences.<sup>28</sup> This legislative initiative is based on the recommendations to the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions, to which Russia acceded.

The draft law extends to the reporting on any corruption offence in the **public or private sector** in Russia. According to the draft law, individuals who report on such an offence to their employer's representative, the prosecutor's office or the police are to be “protected by the state”. The protective measures include:

- ▶ confidentiality obligations regarding the whistleblower's identity and the content of their report;
- ▶ the whistleblower's protection against any discrimination in their employment situation for the period of two years following the reporting;
- ▶ the granting of free legal aid to the whistleblower.

If adopted, the draft law is likely to require companies operating in Russia to (i) adjust their procedures for handling whistleblower reports from Russia, (ii) set up mechanisms to obtain the whistleblower's consent to the use of personal data and (iii) adopt at the Russian level an internal document regulating the handling of whistleblower reports.

Currently, it cannot be predicted when the draft law will enter into force. On 10 December 2018, upon request of the competent State Duma committee, the State Duma Council repeatedly postponed the second reading of the draft law to a currently unknown date.<sup>29</sup>

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<sup>28</sup> Draft Law No. 286313-7.

<sup>29</sup> [http://sozd.duma.gov.ru/bill/286313-7#bh\\_hron](http://sozd.duma.gov.ru/bill/286313-7#bh_hron).

# / Foreign enforcement actions in Russia & former Soviet republics in 2018/2019

## US Department of Justice (DOJ) and US Securities and Exchange Commission (SEC) – Uzbekistan, Russia, Kazakhstan and Azerbaijan

In 2018/2019, the US Department of Justice (DOJ) and the US Securities and Exchange Commission (SEC) – assisted by law enforcement agencies in various Western jurisdictions – completed a number of investigations for violations of the United States **Foreign Corrupt Practices Act (FCPA)** in Uzbekistan, Russia, Kazakhstan and Azerbaijan.

These investigations concerned large-scale bribery in the telecommunications (Uzbekistan)<sup>30</sup>, energy (Russia)<sup>31</sup>, pharmaceutical (Kazakhstan)<sup>32</sup> and equipment manufacturing (Azerbaijan)<sup>33</sup> sectors and resulted in the payment of significant fines. In contrast to Russian enforcement actions with their focus on small and mid-scale bribery, these investigations revealed sophisticated cross-border corruption schemes which included:

- ▶ funnelling of bribes to **front companies** (registered in Gibraltar) controlled by an official, and disguising the bribes in the company's books as acquisition costs, option payments, purchases of regulatory assets and charitable donations;
- ▶ corrupt payments to **offshore bank accounts** (in Cyprus, Latvia or Switzerland) associated with shell companies (with purported physical address in the Republic of Seychelles, the United Kingdom or the British Virgin Islands) for the benefit of an official, and concealing the bribe payments by preparing fake invoices that described services never provided;
- ▶ use of **local distributors** as part of a kickback scheme to generate funds from which the company's employees paid bribes to officials to ensure that the company was awarded contracts by public institutions, and tracking the kickbacks in internal spreadsheets under a code name;

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<sup>30</sup> <https://www.justice.gov/opa/pr/mobile-telesystems-pjsc-and-its-uzbek-subsiary-enter-resolutions-850-million-department>; <https://www.sec.gov/news/press-release/2019-27>.

<sup>31</sup> <https://www.justice.gov/opa/pr/transport-logistics-international-inc-agrees-pay-2-million-penalty-resolve-foreign-bribery>.

<sup>32</sup> <https://www.sec.gov/news/press-release/2018-174>.

<sup>33</sup> <https://www.sec.gov/news/press-release/2018-188>.

- ▶ use of **sham contractors** and **intermediaries** (small legal entities registered in either Russia or Estonia) to make unlawful payments to officials to facilitate the sales of equipment for public housing.

## World Bank – Georgia, Uzbekistan, Kazakhstan and Ukraine

Throughout 2018, the World Bank's Integrity Vice Presidency (INT) opened 14 new investigations of sanctionable practices such as **corruption, collusion and obstruction** in World Bank Group-financed activities in Europe and Central Asia.<sup>34</sup>

In 2018, in total seven companies and individuals from former Soviet republics (Georgia, Uzbekistan, Kazakhstan and Ukraine) were, as a result of completed INT investigations, **debarred** from further projects financed by the World Bank Group.<sup>35</sup> The investigations revealed the following schemes of sanctionable collusion:

- ▶ Two companies submitted jointly prepared bids for an equipment supply contract on a health care project in Kazakhstan.
- ▶ Under a roads project in Georgia, two companies and a company official entered into an arrangement with personnel from the project implementation unit who assisted the companies in preparing bids for construction contracts.
- ▶ In a water project in Uzbekistan, two companies designed bids to simulate competition, including by exchanging information on each other's prices and providing false information on proposed personnel.<sup>36</sup>

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<sup>34</sup> <http://pubdocs.worldbank.org/en/227911538495181415/WBG-SanctionsSystemARFY18-final-for-web.pdf>; page 17.

<sup>35</sup> As above, page 56 et seqq.

<sup>36</sup> As above, page 19.

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