

MANAGING RISKS RELATED TO PROHIBITED PRACTICES

1. Needs Assessment and Preparation Stage



RED FLAGS

- Operating in a market that is prone to collusion.
- Conflicts of interest between staff of the Executing Agency (EA) and bidders.
- Asymmetry of information that favors one bidder over others.
- Use of less competitive procurement methods.
- Technical specifications/Terms of Reference (ToRs) that seem to be tailored to a specific firm or individual.
- Little or no transparency about the procurement opportunity.
- Evaluation criterion/requirements that are either too vague or too specific in relation to the goods/work/services to be procured.
- Unexpected questioning an individual or firm's qualifications in strong favor of another.
- Past employment or family ties between stakeholders associated with the same project.



RISK MITIGATION MEASURES

- Encourage the design of procurement processes that maximize competition.
- Request and train EA staff to disclose and manage conflicts of interest.
- Ensure that processes comply with and promote the principles of transparency, competition, integrity and value for money.
- Ensure EA staff have the technical capacity to draft ToRs/technical specifications; support the EA with external experts if needed.
- Encourage wide advertising of procurement opportunities.

2. Bid Presentation Stage



RED FLAGS

- Complaints about the tender process.
- Many express interest in the tender, but few apply.
- Questions from bidders that imply access to confidential information.
- Poor bidder turnout given the context of the process/contract.



RISK MITIGATION MEASURES

- Promote the IDB Group's complaint mechanisms and the obligation to report suspicions of Prohibited Practices.
- Encourage the EA to establish clear rules about meetings with representatives from participating firms.
- Ensure that all communications related to consultations with interested parties are published/shared with all bidders.

3. Evaluation and Award Stage



RED FLAGS

- Inconsistencies between the evaluation criteria of bidding documents/Request for Proposal (RFP) and those of the evaluation report.
- Unusual delay between start of evaluation and issuance of final report (or decision reached too quickly).
- Lack of track record in the country/sector of awarded firm.
- Unjustified disqualifications that do not adhere to evaluation criteria.



RISK MITIGATION MEASURES

- Request EA to establish clear, well-structured rules for the evaluation committee.
- Report suspected Prohibited Practices to the OII or consult them regarding risk indicators.
- Ensure evaluation committees are trained to conduct and implement due diligence on bids.
- Request evaluation committee members to sign a declaration and confidentiality form.
- Encourage the use of the beneficial ownership disclosure form.
- Include integrity provisions in contracts.
- Ensure ToRs/specifications are part of the contract.

4. Execution Stage



RED FLAGS

- Conflict of interest between the contractor and supervising firm, or a participant in the bidding process is a sub-contractor of the winning firm.
- Recurring questions about the quality of the work or service, or failure to deliver.
- Excessive sub-contracting.
- Unexplained discounts in the pay of consultants.
- Discrepancies in invoices.
- Regular unjustified requests for “extras” or amendments.



RISK MITIGATION MEASURES

- Inform beneficiaries of the work/goods/services to be delivered and promote the IDB Group’s reporting mechanisms.
- Facilitate/encourage engagement of EA with Civil Society Organizations active in the sector to monitor work and the delivery of goods or services.
- Conduct random spot checks.
- Consider use of pay-for-performance contracts.



REMEMBER

Be vigilant. Red flags often go unnoticed. If you suspect wrongdoing, contact:

Office of Institutional Integrity
when external parties are involved
ReportFraud@iadb.org

Office of Ethics
when an IDB Group employee is involved
ethics@iadb.org

