



**CARIBBEAN DEVELOPMENT BANK**

**PROCEDURES FOR DEALING WITH FRAUD  
AND CORRUPTION  
IN CDB-FINANCED PROJECTS**

**OCTOBER 2014**

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## **1. INTRODUCTION**

1.01 The Caribbean Development Bank (the Bank) has recently revised its Guidelines for Procurement and Guidelines for the Selection and Engagement of Consultants by Recipients of CDB Financing (collectively, the Revised Guidelines). The Revised Guidelines seek to harmonise, as far as possible, the Bank's procurement processes and procedures with those of other international financial institutions (IFIs).

1.02 These Procedures supplement the Revised Guidelines which reflect a zero tolerance stance against any attempts to improperly influence the award of contracts and execution of projects. These Procedures seek to enhance accountability in the Bank's procurement processes and form part of the Bank's general policies and procedures for the prevention, detection and mitigation of integrity risks. They specifically cover the investigation and sanction of procurement-related integrity violations and corrosive practices like fraud, corruption, collusion and coercion (collectively, the Prohibited Practices).

1.03 These Procedures set out the steps to be taken to ensure the Bank does all it can to prevent fraud and corruption in procurement and those steps to be taken when fraud or corruption is alleged.

## **2. DEFINITIONS**

2.01 For the purpose of these Procedures, a complaint is defined as a formal expression of discontent or concern containing unproved assertions (Allegation) made by one person (a Complainant) about a particular situation including suspected wrongdoing or presumed misconduct by another person (Complaint).

2.02 The Revised Guidelines provide as follows:

*“Recipients of CDB Financing (including beneficiaries of CDB Financing), as well as bidders, suppliers, and contractors under CDB-financed contracts, observe the highest standard of ethics during the procurement and execution of such contracts. In pursuance of this policy CDB:*

*(a) defines, for the purposes of this provision, the terms set forth below as follows:*

- (i) “corrupt practice” means the offering, giving, receiving, or soliciting, directly or indirectly, of anything of value to influence the action of a public official<sup>1</sup> in the procurement process or in contract execution;*
- (ii) “fraudulent practice” means a misrepresentation or omission of facts in order to influence a procurement process or the execution of a contract;*
- (iii) “collusive practices” means a scheme or arrangement between two or more bidders, with or without the knowledge of the Recipient of CDB Financing, designed to establish bid prices at artificial, non-competitive levels; and*

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<sup>1</sup> Includes the Bank's staff and employees of other organisations taking or reviewing procurement decisions.

- (iv) “coercive practices” means harming or threatening to harm, directly or indirectly, persons, or their property to influence their participation in a procurement process, or affect the execution of a contract.”

### **3. PREVENTION AND DETECTION OF PROHIBITED PRACTICES**

3.01 Evolving procedures for governance of the procurement process emphasise the use of strong deterrents to prevent the occurrence of Prohibited Practices and to detect them whenever they occur throughout the project life cycle.

3.02 At all stages of the procurement process, the successful prevention of Prohibited Practices will require the use of risk-based preventive measures. A non-exhaustive list of such measures is provided in Appendix 1: *Measures for Prevention of Prohibited Practices in the Bank’s Project Procurement Processes*.

#### **Pre-procurement**

3.03 At the pre-procurement stage, modern deterrents focus on the use of procedures to prevent improper influence in the award of contracts including the use of standard bidding and proposal documents, competitive tendering with pre-disclosed evaluation criteria and a no-objection procedure.

#### **During Procurement**

3.04 During the procurement process, the prevention and detection of Prohibited Practices will depend on, among other things, training to conduct integrity due diligence and the Bank’s ability to recognise Prohibited Practices. A helpful guide to identifying possible Prohibited Practices is provided in Appendix 2: *Red Flags: Identifying Common Prohibited Practices in Procurement*.

3.05 During the procurement process, a party may engage in certain undesirable, unprofessional, manipulative or unconventional conduct which may not necessarily amount to a Prohibited Practice, but to which the Bank’s other policies and procedures for ethics may still apply. A non-exhaustive list of examples of such conduct is provided in Appendix 3: *Examples of Procurement-related Conduct which may not necessarily be Prohibited Practices*.

#### **Post-procurement**

3.06 Post-procurement, the Bank will rely on, among other things, robust project supervision and consistent application of the Revised Guidelines.

### **4. PROCUREMENT REVIEW COMMITTEE**

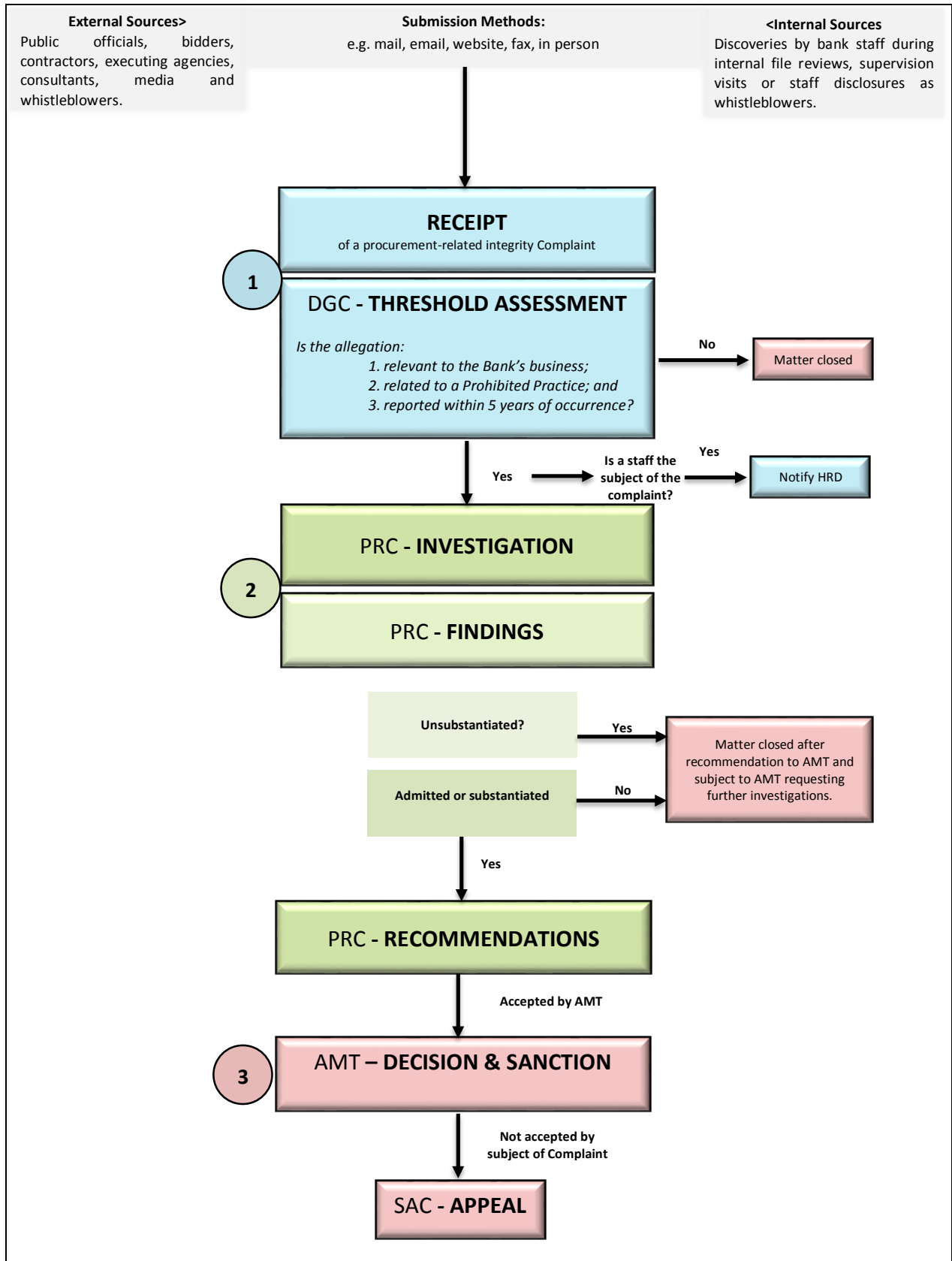
4.01 The Bank has established a Procurement Review Committee (PRC), with the scope of authority as provided for in its Terms of Reference in Appendix 4: *Procurement Review Committee*.

### **5. INVESTIGATION AND SANCTION OF PROHIBITED PRACTICES**

#### **Administrative Investigations**

5.01 The PRC shall conduct fair, impartial, independent and thorough administrative investigations of all procurement-related Complaints of Prohibited Practices as illustrated in Figure 1 below.

**FIGURE 1 – Anatomy of a Procurement-related Investigation**



### **Submission and Receipt of Procurement-Related Complaints**

5.02 All Complaints submitted to the Bank concerning suspected occurrences of Prohibited Practices (whether attempted or actual) and other procurement-related Allegations must be written and may either identify the Complainant by name and other relevant information or be anonymous.

5.03 All Complaints submitted to the Bank shall be forwarded to the Risk Officer then serving as Secretary to PRC who shall be responsible for recording or causing a summary of the Complaint to be recorded in a special register established for that purpose (Integrity Register) as part of the Bank's general Risk Register. The Secretary to PRC will promptly provide a copy of the Complaint to the Chairperson of PRC (Deputy General Counsel), the Deputy Director, Internal Audit Division (IAD) and when a staff member is the subject of the Complaint, the Deputy Director, Human Resources Division (HRD).

### **Threshold Assessment**

5.04 The Chairperson will conduct a threshold assessment within 14 working days of the receipt of the Complaint by making a written determination of whether:

- (a) the allegation(s) made in the Complaint is/are relevant to the Bank's business;
- (b) directly or indirectly concern(s) at least one Prohibited Practice; and
- (c) the date of the alleged Prohibited Practice is within five (5) years of the date of receipt of the Complaint.<sup>2</sup>

### **Referral of Complaints to PRC**

5.05 If the threshold criteria is satisfied, the Chairperson will immediately refer the Complaint to PRC and convene a meeting of PRC within 21 working days of its referral. The PRC shall promptly thereafter commence an investigation into the Complaint.

### **Conduct and Resourcing of Investigation**

5.06 Except as provided for in these Procedures, and with due regard to expediency and cost efficiency, PRC will determine its own procedure for investigations, particularly as regards the location and frequency of its sittings; mode of investigation; the credibility of any Complainant; and the weight to be given to anonymous Complaints or any information provided in support of a Complaint.

5.07 During an investigation, PRC may collaborate with any other committee, unit, office, division or department of the Bank.

5.08 During an investigation, PRC may seek, through its Chairperson, the cooperation of any party that is named in a Complaint or that can assist PRC with its investigation, including any Bank staff, consultant or other external party. The consultant or external party may be engaged and funded through the office of the Deputy General Counsel as approved by management.

5.09 The PRC shall be entitled to provide a Complainant and the party that is the subject of the Complaint with an update on the investigation of the Complaint.

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<sup>2</sup> The date of the Prohibited Practice shall be deemed to be the date on which the last constituent act or element of the Prohibited Practice occurred.

### **Standard of Proof**

5.10 To determine whether a Complaint is substantiated for the purpose of PRC investigations, the standard of proof shall be whether the information available to PRC, as a whole, shows that something is more probable than not.

### **Investigation and Recommendations**

5.11 Upon completion of an investigation, PRC shall make a written note of its findings and provide written recommendation(s) to the Advisory Management Team (AMT) for disposal of the Complaint and to close any policy and procedural gaps discovered during the course of its investigation.

### **Unfounded or Unsubstantiated Complaints**

5.12 If a finding is made that a Complaint is unfounded or unsubstantiated, an appropriate recommendation shall be made to AMT that the investigation of that Complaint be immediately closed. AMT may request that PRC conducts further investigations, or may accept the recommendation of PRC.

### **Admitted, Well Founded or Substantiated Complaints**

5.13 If a finding is made that a Complaint is admitted, well founded or substantiated, an appropriate recommendation shall be made to AMT that the party or parties who committed the Prohibited Practice complained of be sanctioned accordingly.

### **Sanctions**

5.14 Pursuant to PRC's findings and recommendations, AMT may:

- (a) instruct that immediate action be taken to fully ascertain and remedy the violation complained of, including a full or selective audit of the office, unit, division or department; and/or
- (b) impose any one of more of the following measures or sanctions:
  - (i) a reprimand; or in the case of a staff member, take steps for reprimand, suspension, dismissal or other disciplinary measure permissible under the Staff Code of Conduct or other similar policies and procedures for Ethics and Whistleblowing;
  - (ii) the rejection of a recommendation for award;
  - (iii) a demand that a client or executing agency withdraw any person from any financing, contract or project;
  - (iv) a demand for the early repayment or reimbursement of any loan or other financing;
  - (v) the cancellation of undisbursed financing and/or suspension of disbursements due to be made, or recovery of any funds already disbursed; or
  - (vi) an unconditional or conditional debarment (declaration of ineligibility to be awarded a Bank-financed contract, whether for a stated period of time, or indefinitely).

5.15 The decision to sanction a party may include a decision to require the recipient of CDB financing to pursue contractual remedies against the party being sanctioned.

5.16 AMT may impose such sanctions it deems appropriate. Unless suspended as provided for below, all sanctions imposed by AMT shall take immediate effect and unless appealed within the time provided for below shall be final. The Secretary to PRC shall formally and promptly notify a sanctioned party of the sanctions imposed.

5.17 AMT may take such other action related to a sanction as it deems appropriate, including notification of its actions to relevant persons or publication of the sanction and in such manner, place and for such duration as AMT may determine.

5.18 Any suspension or cancellation of the Bank's financing shall be communicated to all relevant parties in accordance with the Bank's policies and procedures for disclosure of information.

### **Special Investigations**

5.19 If a Complaint is received, the subject of which is any current or former member of AMT or any member of the Board of Directors or Board of Governors, the Secretary to PRC shall record a summary of the Complaint in the Integrity Register and immediately send the Complaint to the Chairperson of PRC. The Chairperson of PRC shall conduct a threshold assessment within 14 working days of the receipt of the Complaint by making a written determination of whether the allegation(s) made in the Complaint is/are relevant to the Bank's business, directly or indirectly concern(s) at least one Prohibited Practice and the date of the alleged Prohibited Practice is within five (5) years of the date of receipt of the Complaint.

5.20 If any current or former member of AMT (except the President, a Vice-President, the Director of Human Resources and Administration Department or the General Counsel) is the subject of a Complaint, the Secretary to PRC shall record a summary of the Complaint in the Integrity Register and immediately forward it to the Chairperson of PRC. The Chairperson of PRC shall, after conducting the threshold assessment, forward the Complaint to the President who shall seek the advice of the General Counsel. If necessary, the President may hire one expert or a panel of three suitably qualified persons to conduct a Special Investigation of the Complaint. If the Chairperson of PRC is the subject of the Complaint, the Complaint shall be immediately forwarded to the President for his decision which may be made with or without the advice of the General Counsel.

5.21 If any current or former member of the Board of Governors, member of the Board of Directors (except the Chairperson of the Committee with oversight for institutional integrity), the President, a Vice-President, the Director of Human Resources and Administration Department or the General Counsel is the subject of a Complaint, the Secretary to PRC shall record a summary of the Complaint in the Integrity Register and immediately forward it to the Chairperson of PRC. The Chairperson of PRC shall after conducting the threshold assessment, forward the Complaint to the Assistant Bank Secretary who shall promptly forward it to the Chairperson of the relevant Committee of the Board of Directors with oversight for institutional integrity for its directions or a decision for disposal of the Complaint, including to conduct a Special Investigation.

5.22 If the Chairperson of the relevant Committee of the Board of Directors with oversight for institutional integrity is the subject of a Complaint, the Chairperson of PRC shall after conducting the threshold assessment, forward the Complaint to the Assistant Bank Secretary. The Assistant Bank Secretary shall promptly forward the Complaint to each member of the Committee. All of the other members of the Committee, except the Chairperson, may meet promptly in person, by telephone or other electronic media, to agree among themselves concerning disposal of the Complaint or make such



decisions as they deem appropriate, including to conduct a Special Investigation. The members of the Committee may meet with the General Counsel for assistance.

5.23 A Special Investigation shall be conducted in scope, manner and form as investigations to be carried out by PRC and with recourse to such internal or external resources (including human and financial resources derived from collaboration with other IFIs) as the President or, the relevant Committee of the Board of Directors with oversight for institutional integrity shall think fit having due regard to expediency and cost efficiency. The outcome of such Special Investigations and the sanction(s) imposed shall be final and only subject to appeal as provided below.

## **6. APPEALS**

6.01 The Bank shall establish a Sanctions Appeals Committee, which may comprise between one to three persons selected by the President (or where the President is the subject of the Complaint, by the relevant Committee of the Board of Directors with oversight for institutional integrity) having appropriate competence and expertise in the subject area of the appeal to be heard.

6.02 A sanctioned party may within 30 days of the imposition of a sanction by AMT, or the relevant committee of the Board of Directors, appeal the imposition of the sanction or request a variation of the severity of the sanction by writing to the Bank Secretary requesting an appeal of the sanction or its severity and providing grounds and written information in support of its appeal.

6.03 A sanctioned party may appeal:

- (a) the imposition of a sanction on the ground that there are relevant facts or fresh information which by due diligence could not have been reasonably known or discovered prior to the closure of the investigation and is relevant to, and would have influenced, the decision to impose the sanction; and/or
- (b) the severity of a sanction on the ground that there are relevant and compelling reasons for relief from the severity of the sanction.

6.04 Within 30 days of receipt of a request for an appeal, the Bank Secretary shall convene a Sanctions Appeals Committee (SAC) to hear the appeal.

6.05 AMT or the relevant committee of the Board of Directors may suspend imposition of a sanction while an appeal is pending only after receipt of a written request from a sanctioned party to suspend a sanction imposed.

6.06 The SAC shall promptly and with due regard to expediency and cost efficiency, commence review of the record of the investigation, the sanction(s) imposed, any compelling reasons or new information provided and make its own final written decision to allow or dismiss an appeal only after it is satisfied that the grounds for appeal have been met.

6.07 Decisions of SAC shall be final and not subject to further appeal.

## **7. DUTY TO REPORT - PROTECTION FOR WHISTLEBLOWERS AND AWARENESS**

7.01 Staff members shall have a duty to report the occurrence of Prohibited Practices to PRC and to assist PRC in its work.

7.02 Staff members who report Prohibited Practices, including those who are classified as 'whistleblowers' under any Bank policies and procedures for dealing with whistleblowing shall be

provided with due confidentiality and protection from retaliation. Retaliation in such circumstances shall be treated as a separate act of misconduct and will be investigated and sanctioned accordingly by the Bank.

7.03 An allegation or indication of a corrupt and fraudulent practice can reach the Bank in many different ways. Whilst the procedure states that an allegation made in a Complaint about Prohibited Practices must be submitted to PRC, it is important that each staff member has a strong awareness of how Prohibited Practices are signalled and knows exactly what to do when an allegation is received or finds other evident signs of suspect behaviour in the procurement process, or becomes aware about a firm's past history in this context.

7.04 Most commonly an allegation or suspicion of a Prohibited Practice is made known to the Bank in the following manner:

#### **Allegations**

- (a) A tenderer/proposer informs the Bank in writing or verbally that a staff member of a client or a representative of the client has requested bribes or similar gains in order to secure an award of contract to the company. Many times the information is provided anonymously.
- (b) A participating competitor in a tendering/request for proposals process informs the Bank in writing or verbally that Prohibited Practices are evident in the award of a contract by a client to a certain named supplier, contractor or consultant. The competing tenderer/consultant has either its own sources within the client's organisation or has obtained the information in another way.

#### **Suspect Patterns or Behaviour**

- (a) Suspicions of corruption may also appear in conjunction with the implementation of the project and where staff members undertaking the Bank's review and no-objection process register actions and proposals from the client, which strongly divert from the Revised Guidelines or other well-established procurement practices.
- (b) Indication of collusive actions between tenderers/proposers in order to affect the competitive situation in the procurement process.
- (c) Suspicions of corruption may be reported in local media and follow-up actions by the Bank may be necessary.

### **8. CONFIDENTIALITY**

8.01 Any information provided to the Bank pursuant to, during, or after investigations and the identity of Complainants and of persons otherwise involved in, or assisting PRC with, the investigation, including the Integrity Register, shall be treated with strictest confidentiality.

**9. AUDIT**

9.01 The PRC's compliance with the control infrastructure and procedures provided by these Procedures shall be audited annually. The IAD shall have unrestricted access to the Integrity Register.

9.02 Without compromising IAD's role to provide assurance to the Board of Directors and to conduct audit investigations, PRC will collaborate as deemed necessary with IAD for integrity investigations and to rationalise use of internal resources.

**10. IMPLEMENTATION**

10.01 These Procedures take effect from October 31, 2014 and will be reviewed every three years by management, or earlier as necessary, to ensure consistency with the Bank's integrity framework and to ensure its effectiveness in helping to inculcate a culture of top-down adherence to the highest standards of integrity in the Bank.

## APPENDIX 1

### MEASURES FOR PREVENTION OF PROHIBITED PRACTICES IN THE BANK'S PROJECT PROCUREMENT PROCESSES

The successful prevention of corruption, fraud and other Prohibited Practices is not related to one single measure, but is dependent on the totality of all the measures the Bank takes in its supervision of the entire procurement process.

Measures for preventing corruption and fraud in the procurement process coincide well with actions aimed at strengthening the efficiency and transparency in the process. The following list of actions should be undertaken during the preparation and implementation of projects:

#### **Project Preparation**

- (a) Undertake basic due diligence on the client's reputation and integrity; determine whether or not there is a history of, or connection to corrupt, collusive, coercive or fraudulent practices.
- (b) Examine the client's corporate governance structure.
- (c) Comprehensively analyse the risk profile of the project.
- (d) Analyse the client's capacity and experience in managing projects similar to a project of that particular size and complexity.
- (e) Ensure that the terms of reference (TOR) of the project manager or coordinator (PM/PC) addresses the required expertise in procurement.
- (f) Thoroughly prepare the procurement plan to ensure that the contracting strategy is correct and viable and that open tendering will be used, unless other methods are found to be justifiable.

#### **The Procurement Phase**

- (a) Discuss and agree with the client the organisation and staffing of the project management unit, including the set-up of the tender evaluation committee. Discuss also the need for training and information on the Bank's procurement policies and rules, including the Bank's no-objection procedure. Inform the client in explicit terms about the Bank's policy on fraud and corruption.
- (b) Ensure that the PM/PC possesses the required knowledge and understanding of the Bank's procurement policies and rules. Before taking on an assignment the PM/PC responsible for the procurement should receive sufficient orientation.
- (c) Undertake a thorough prior review of tender and prequalification documents and the any applicable terms of reference. The no-objection should be given only on the basis of the final set of draft tender/request for proposal documents. Evaluation criteria should be clearly defined in the tender/request for proposal documents, and the use of "merit point" evaluation methods should be avoided in the case of tendering. Any subsequent proposed changes to the evaluation criteria at any time after the Bank has given the no objection should be referred to the internal officer with responsibility for oversight of procurement in relation to the relevant project.

- (d) Ensure that the tender opening is conducted in accordance with the Bank's stated procedures.
- (e) Ensure that the Bank's no-objection process is observed. A key and sensitive part of the procurement process is the Bank's no objection to the client's recommendation on prequalified tenderers, short lists of consultants, and the recommendation for the award of contract. The CDB Project Supervisor must undertake the no-objection process with utmost care and attention and ensure that the review process is signed off by the Head of Procurement before the Bank's no-objection is given. The CDB Project Supervisor should consult with the Head of Procurement if he/she identifies any irregularities or possible malpractice.
- (f) Note that complaints from a tenderer, who is concerned about pre-qualification criteria or tender requirements, or from an unsuccessful tenderer, may be an indication of irregularities. All Complaints or circumstances that would potentially give rise to a Complaint should be reported to the Head of Procurement and otherwise to PRC as provided for in these Procedures.

**The Contract Execution Phase**

- (a) Ensure proper monitoring and supervision of contract execution. This phase is another sensitive part of the procurement implementation process which, without proper supervision and monitoring by the Bank, can easily be subject to manipulation by the client and/or the contractor.
- (b) Ensure that the conclusion of the contract between the client and the successful supplier, contractor or consultant is in accordance with the Revised Guidelines. For contracts subject to prior review, the Bank shall receive one conformed copy of the contract for review prior to the submission of a withdrawal application in respect of such contract. In all cases (prior or post review), the client must furnish a tender evaluation report together with a copy of the contract. The client is also required to seek the Bank's concurrence where modifications, variation orders or change orders increase the aggregate value of the contract by more than 15% of the original price. Disbursements have to be made in accordance with the Bank's disbursement procedures.
- (c) Ensure that the Bank reserves its right to require that a provision be included in the bidding/request for proposal documents and in contracts, requiring bidders, suppliers, consultants and contractors to permit the Bank to inspect their accounts and records and other documents relating to the bid/proposal submission and contract performance and to have the documents audited by auditors appointed by the Bank.

**RED FLAGS IDENTIFYING COMMON PROHIBITED PRACTICES IN PROCUREMENT<sup>3</sup>**

	<b>Red flags</b>	<b>Possible related scheme(s)</b>
<b>Pre-Tendering</b>	Purchase of unnecessary or inappropriate items.	Corruption
	Manipulation of procurement thresholds to avoid prior review.	Unjustified no-bid awards.
	Inadequate evaluation criteria or procedures.	Manipulation of bids, excluding qualified bidders, corruption.
	Unreasonable prequalification requirements.	Excluding qualified bidders.
	Ambiguous, incomplete or misleading contract specifications	Unbalanced bidding, corruption.
	Contract specifications are too narrow or too broad.	Rigged specifications, excluding qualified bidders, corruption.
<b>Tendering</b>	Failure to make bidding documents available.	Excluding qualified bidders, corruption.
	Short or inadequate notice to bidders.	Excluding qualified bidders, corruption.
	Unusual bidding patterns.	Collusive bidding.
	Apparent connections between bidders.	Collusive bidding.
	Bidder not listed in business or telephone directories.	Collusive bidding.
	Multiple contract awards to the same company.	Corruption
	Qualified companies fail to bid.	Excluding qualified bidders, collusive bidding.
	Rotation of winning bidders.	Collusive bidding.
	Unreasonably high bids.	Collusive bidding.
	Unreasonably low bids.	Unbalanced bidding, corruption
	Non-transparent bid-opening procedures.	Manipulation of bids, excluding qualified bidders, corruption.
	Award to other than the lowest qualified bidder.	Manipulation of bids, corruption.
	Disqualifications that are poorly supported.	Excluding qualified bidders, corruption.
	Pressure to select a certain contractor subcontractor or agent.	Corruption
Winning bid is very close to budget or estimate.	Unbalanced bidding, corruption	
Long unexplained delays in contract award or negotiations.	Manipulation of bids, corruption.	
<b>Post-Award</b>	Use of questionable agents or subcontractors.	Corruption
	Complaints regarding poor quality goods, works or services.	Failure to meet contract specifications.
	Continued acceptance of poor quality goods, works or services.	Corruption
	Delivery of poor quality goods, works or services.	Failure to meet contract specifications.
	Questionable contract amendments (change orders).	Changes in contract to increase price, corruption.
	Questionable invoices.	False inflated or duplicated invoices, corruption.
	Payment of unjustified high prices.	False inflated or duplicated invoices, corruption.
	Absent or questionable documentation.	False inflated or duplicated invoices.

<sup>3</sup> Based on U4's Red Flag Tool as cited in Guidebook on Integrity in Procurement (2010) commissioned by the United Kingdom's Department for International Development.

**EXAMPLES OF PROCUREMENT-RELATED CONDUCT WHICH MAY  
NOT NECESSARILY BE PROHIBITED PRACTICES**

A party (typically a client) may sometimes attempt to manipulate the procurement process to achieve certain results. In some cases, those attempts at manipulation may be of a corrupt nature while in others, it could be a matter of unprofessional performance by the client, but which do not necessarily rise to the level of a “Prohibited Practice” as defined in the Revised Guidelines. During the procurement process such actions may occur when a client:

- (a) proposes the composition of the procurement plan and attempts to avoid the application of open tendering by instead proposing other simplified procurement methods which effectively restrict the competition to submissions from a preferred group.
- (b) includes prequalification criteria, which appear to unfairly discriminate against potentially qualified suppliers.
- (c) prepares the short list of consultants to be invited to submit proposals in a non-objective and unfair manner.
- (d) designs the technical specifications or terms of reference with the intention to favour a certain group of tenderers or consultants, thereby excluding the participation of potentially qualified tenderers/consultants.
- (e) proposes the use of direct contracting and national competitive bidding without adequate justification.
- (f) designs the contract conditions with the obvious intent of favouring certain suppliers.
- (g) accepts changes to the contract conditions after the award of contract has been made, which are neither commercially justified nor in accordance with the Bank’s Guidelines for Procurement.
- (h) attempts to manipulate the decision-making process through a significant lack of formal procedures and control mechanisms.

**PROCUREMENT REVIEW COMMITTEE**

**TERMS OF REFERENCE**

**1. Establishment of a Procurement Review Committee**

1.01 The Caribbean Development Bank (the Bank) has established a Procurement Review Committee (PRC) as a key part of its strategic integrity framework to promote institutional integrity and ethics in procurement-related processes (external) and in its internal operations when conducting corporate procurement for its own account.

**2. Composition**

2.01 Membership of PRC is constituted as follows:

- (a) Deputy General Counsel - Chairperson
- (b) Risk Officer - Secretary
- (c) Director, Projects Department
- (d) Deputy Director, Finance Division
- (e) Division Chief, Economic Infrastructure Division

**3. Terms of Reference - Role and Responsibilities**

3.01 The PRC shall be authorised to:

- (a) receive and review all procurement-related Complaints submitted to the Bank;
- (b) enquire into and investigate Complaints of all procurement-related Prohibited Practices;
- (c) determine the Bank's response to the Complaints submitted and any procurement-related disputes arising from pre-tendering activities, tendering and contract awards for goods, works and consultant services;
- (d) make recommendations to the Advisory Management Team (AMT) for disposal or resolution of Complaints;
- (e) assists AMT with reviews of compliance with the Bank's procurement processes particularly its Guidelines for Procurement; and
- (f) guide management on procurement-related matters, as requested, including practical application of the Guidelines for Procurement, the Guidelines for the Selection and Engagement of Consultants by Recipients of CDB Financing and management decisions related to procurement that may be referred to it from time to time.

**4. General Procedures of PRC**

4.01 The PRC shall be chaired by the Deputy General Counsel and in his/her absence by the Deputy Director, Finance Division.



4.02 The Secretary of PRC shall be the Risk Officer and its secretariat shall be the Office of Risk Management.

4.03 Any member of PRC can request in writing that PRC review a matter that has not been submitted by way of formal Complaint or by referral from management.

4.04 Meetings of PRC will only be convened as necessary by its Chairperson who will also set the agenda.

4.05 The PRC may conduct its work on a no-objection basis. If it is determined by the Chairperson that a meeting is not necessary and that it is appropriate to work on a no-objection basis, the Chairperson may circulate the documents to PRC members without convening a meeting.

4.06 The quorum for all PRC meetings shall be three members.

4.07 Decisions of PRC shall be made based on a majority. At the option of any dissenting member(s), an unresolved disagreement among members of PRC may be presented by PRC to AMT and informed on AMT's advice, the President will make a final decision on the matter.

4.08 Any PRC member who considers that his involvement in PRC's review of any matter may give rise to a perception of bias or who has a concern about a conflict of interest arising from such involvement shall declare such perception or concern and recuse himself from participating in PRC's deliberations on that matter. Alternatively, if the member concerned or PRC is unsure about whether a recusal in such circumstances is necessary, the advice of the General Counsel may be sought and relied upon as definitive determination of whether, and to what extent, if any, that member should participate in PRC's deliberations.

4.09 If PRC considers that a matter for its review requires the assessment of complex technical matters or is sufficiently complex to be outside of PRC's competence, PRC may have recourse to internal or external consultants, as necessary, to assist in its deliberations.

## **5. Reporting**

5.01 The PRC shall report annually on all Complaints and matters reviewed during the previous year. The annual report shall be made to the President who shall forward a copy for notification to the relevant committee of the Board with oversight for institutional integrity.