



Independent
Integrity
Unit

*Integrity
in Action:*

Avoiding
Procurement
Red Flags

Structured Dialogue with
Least Developed Countries

Addis Ababa, Ethiopia
19 – 22 November 2018

What is a *Red Flag*?

Sign of a problem that requires attention

A warning sign



Why a focus on Procurement Fraud?

Often involves large sums of public money

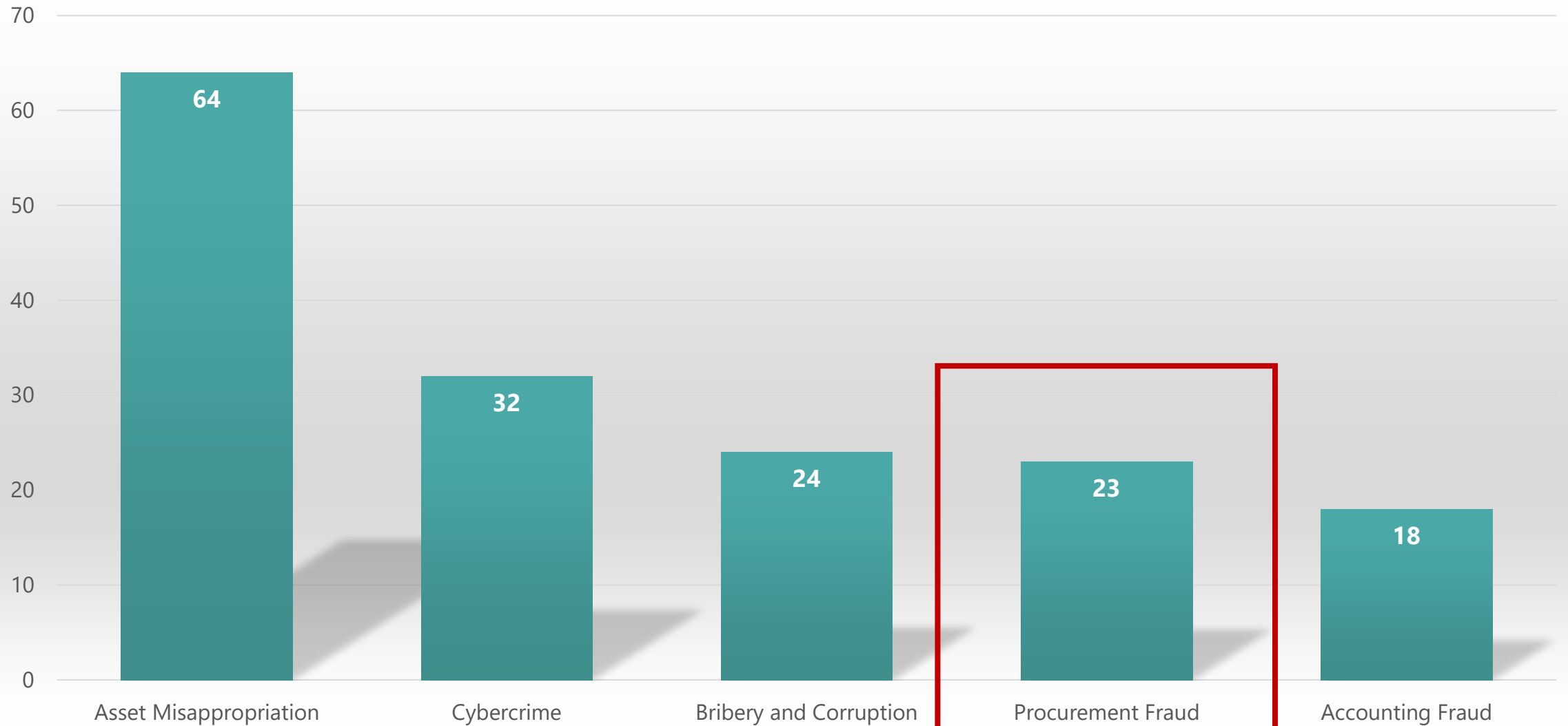
Impacted by highly-devolved decision-making

Limited oversight

Inadequate staff training



PWC Economic Crime Survey 2016





01

Obtaining an
unfair advantage

02

Causing a loss to
property

03

Avoiding an
obligation

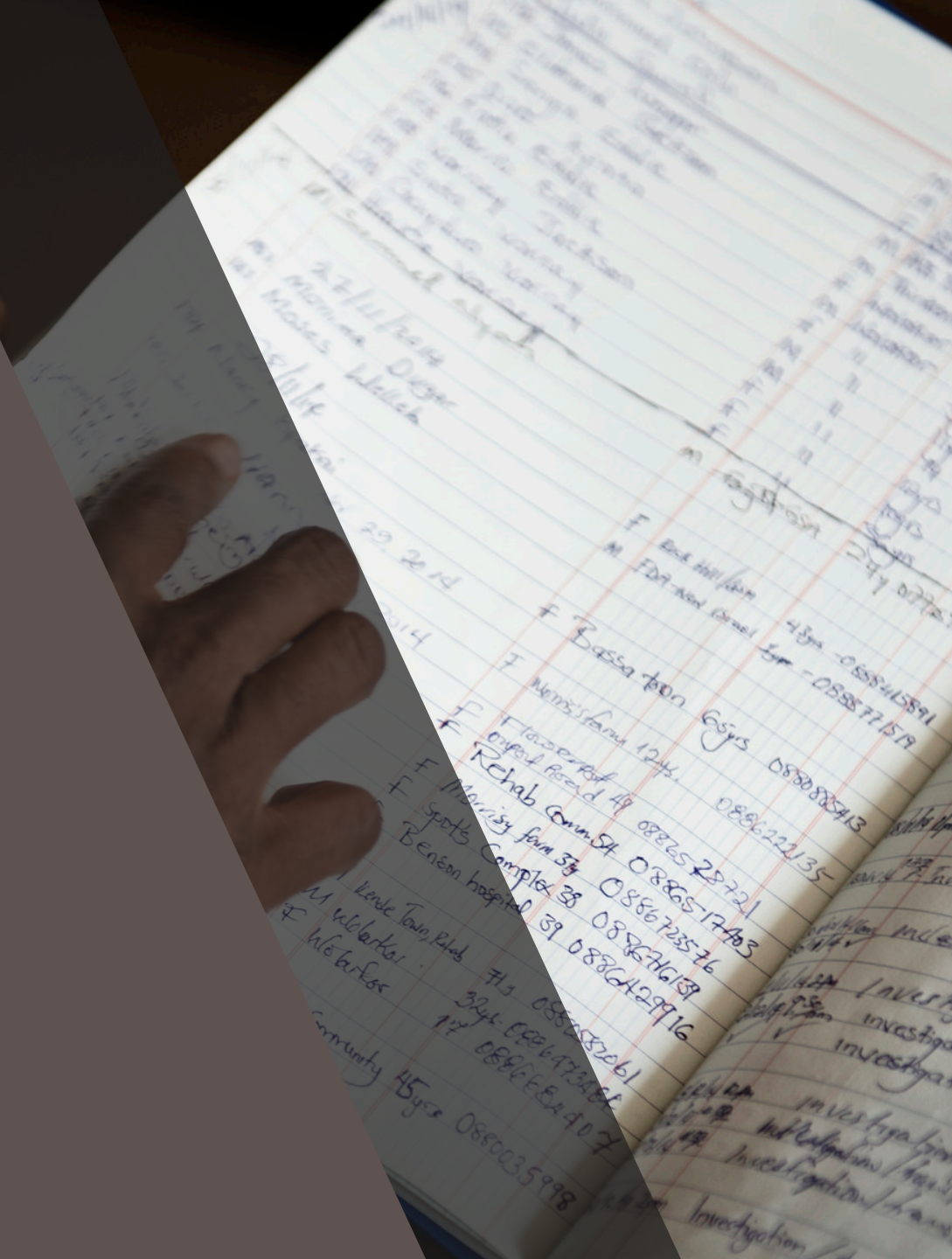
What is Procurement Fraud?

In the GCF Context

The Recipient shall ensure adherence to the Procurement Plan agreed to by the Recipient and the Fund

- Clause 8.01, Readiness Grant Agreement

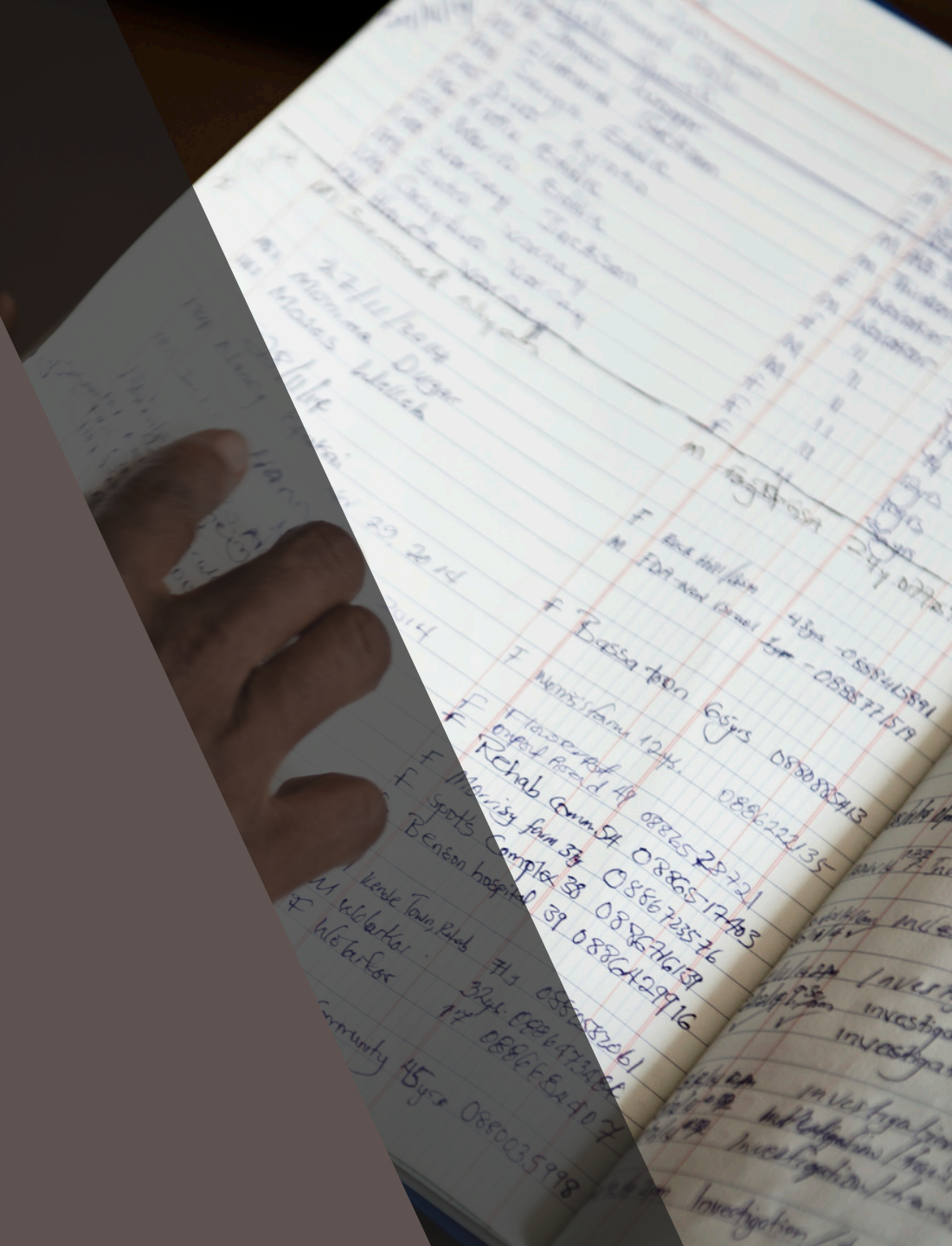
- ✓ Contracts shall be awarded on a transparent and competitive basis
- ✓ Subject only to established Exemptions included in written Procurement policies and practices provided to the Fund and agreed in advance



In the GCF Context

The procurement of Goods and Services for Funded Activities, whether by the Accredited Entity itself, and Executing Entity or by a third party, shall be done in accordance with the rules, policies, and procedures of the Accredited Entity to the extent and scope of its Accreditation.

- Clause 14.01, Accreditation Master Agreement



In the GCF Context

The Accredited Entity will be in default of [the] Agreement if at any time, the Fund reasonably determines following consultation with the Accredited Entity that the procurement of Goods and Services in respect of any Funded Activity to be financed by the Fund is materially inconsistent with the policies and processes set forth or referred to in this Agreement, without the Accredited Entity having taken timely and appropriate action satisfactory to the Fund to address the inconsistency.

- Clause 19.01(f), Accreditation Master Agreement





Areas of Vulnerability

Bidding Process

Selection of
the Supplier

Payment and Delivery
of Goods and Services

Contract
Management

Procuring Entity Red Flags



Writing tender specifications favouring a particular supplier



Frequently using exemptions to circumvent competitive procurement



Accepting late or suspicious bids

Procuring Entity Red Flags



Frequently extending contracts and repeating awards to same contractor



Not declaring conflict of interest

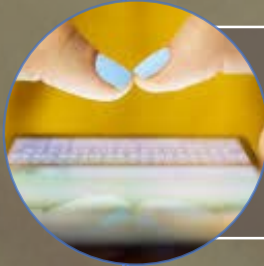


Avoiding higher level review or competitive bidding by splitting contracts

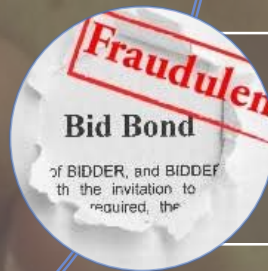
Procuring Entity Red Flags



Accepting offers of gifts, benefits or hospitality



Releasing sensitive information (e.g. tender specifications) to a particular bidder



Lowest bid is unjustifiably not selected

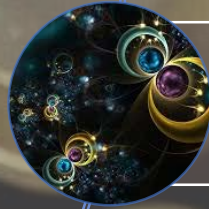
Contractor Red Flags



Submitting suspicious bids (e.g. fake companies or affiliates) to give the appearance of competition



Not declaring connections with another bidder (e.g. same names, contact details)



Unusual bid patterns (e.g. bids significantly different from others)



Losing bidders become subcontractors

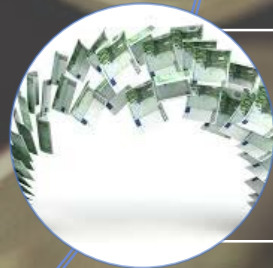
Contractor Red Flags



Poor quality goods and services



Offering gifts, benefits, or hospitality



Unjustified changes in contract terms and value



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