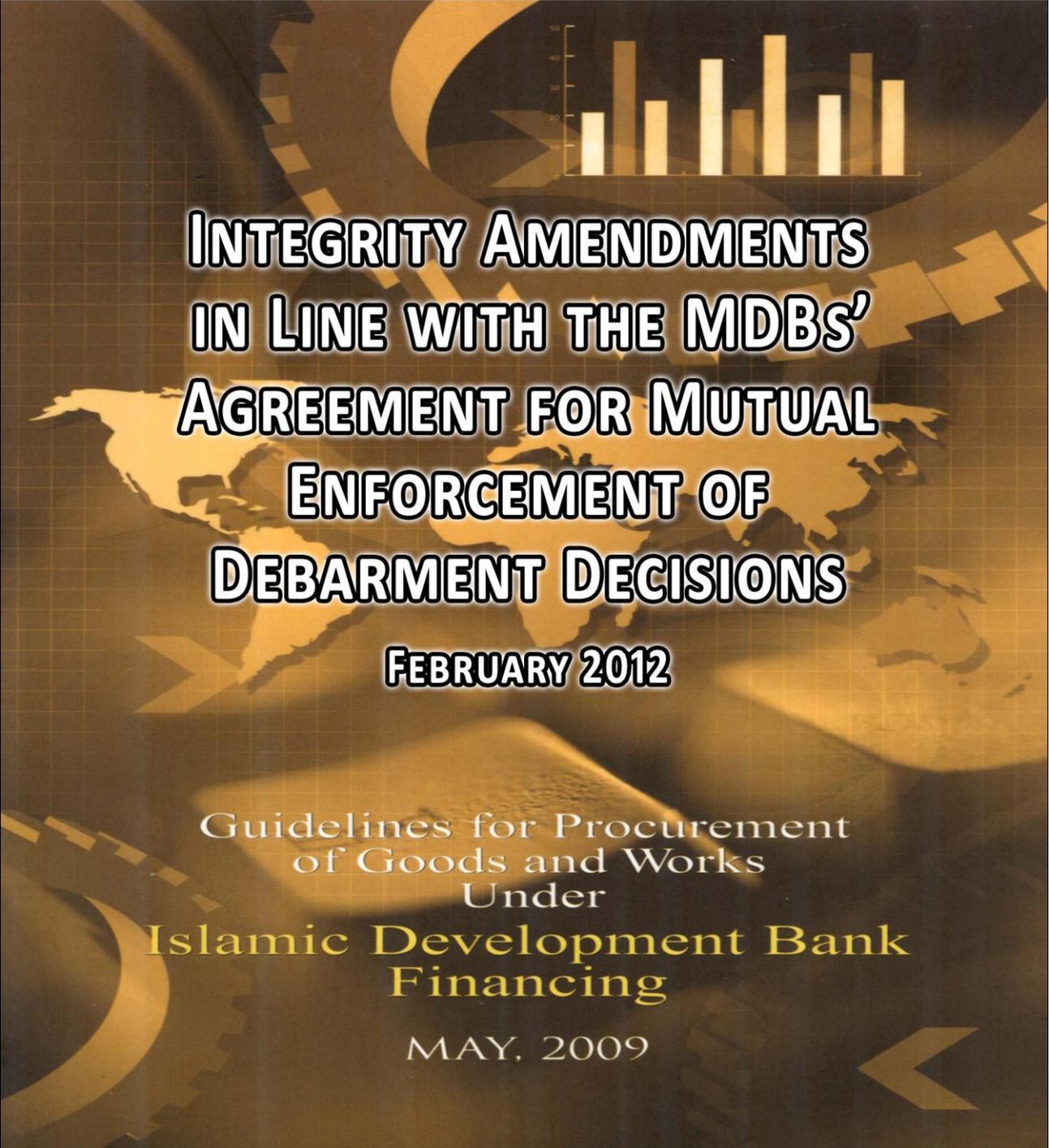




# ISLAMIC DEVELOPMENT BANK



## **INTEGRITY AMENDMENTS IN LINE WITH THE MDBS' AGREEMENT FOR MUTUAL ENFORCEMENT OF DEBARMENT DECISIONS**

**FEBRUARY 2012**

Guidelines for Procurement  
of Goods and Works  
Under

**Islamic Development Bank  
Financing**

MAY, 2009

**Integrity Amendments to the Guidelines for Procurement of Goods and Works under IDB Financing to be in line with the MDB's agreement for mutual enforcement of debarment decisions**

<b>Item</b>	<b>Guidelines for Procurement of Goods and Works under IDB Financing, May 2009</b>	<b>Amendments</b>
<b>Eligibility (1.7.6)</b>	A supplier or contractor declared ineligible in accordance with sub-paragraph (iv) of paragraph 1.13 regarding fraud and corruption shall be ineligible for an IDB financed contract during the period of time determined by IDB.	A firm or individual declared ineligible by IDB in accordance with sub-paragraph (iv) of paragraph 1.13 of these Guidelines or in accordance with the IDB Group Anti-Corruption Guidelines on Preventing and Combating Fraud and Corruption in IDB Group-Financed Activities and sanctions procedures shall be ineligible to be awarded an IDB-financed contract during the period of time determined by IDB.
<b>Conflict of Interest (1.8)</b>	<p>If a supplier or contractor (or the firm with which it is affiliated) combines the functions of manufacturer or contractor with those of consultant or if a supplier/ manufacturer or contractor combines its services with a design office offering services as a consultant, IDB requires that its bid shall include relevant information on such relationship along with a statement to the effect that it shall limit its role to that of supplier or contractor, and that neither the firm nor its associates / affiliates shall participate in the project in any other capacity. Such firms shall be disqualified from providing consulting services for the same project.</p> <p>This provision does not apply to a combination of firms (suppliers, contractors and consultants) which together perform a turnkey or design and build contract.</p>	<p>IDB policy requires that a firm participating in a procurement process under IDB-financed projects shall not have a conflict of interest. Any firm found to have a conflict of interest shall be ineligible for award of a contract.</p> <p>A firm shall be considered to have a conflict of interest in a procurement process if:</p> <ul style="list-style-type: none"> <li>(a) such firm is providing goods, works, or non-consulting services resulting from or directly related to consulting services for the preparation or implementation of a project that it provided or were provided by any affiliate that directly or indirectly controls, is controlled by, or is under common control with that firm. This provision does not apply to the various firms (consultants, contractors, or suppliers) which together are performing the Contractor's obligations under a turnkey or design and built contract; or</li> <li>(b) such firm submits more than one bid, either individually or as a joint venture partner in another bid, except for permitted alternative bids. This will</li> </ul>

		<p>result in the disqualification of all bids in which the Bidder is involved. However, this does not limit the inclusion of a firm as a sub-contractor in more than one bid. Only for certain types of procurement, the participation of a Bidder as a sub-contractor in another bid may be permitted subject to the IDB's approval and as allowed by the IDB's Standard Bidding Documents applicable to such types of procurement; or</p> <p>(c) such firm (including its personnel) has a close business or family relationship with a professional staff of the Beneficiary (or of the project implementing agency, or of a recipient of a part of the financing) who: (i) are directly or indirectly involved in the preparation of the bidding documents or specifications of the contract, and/or the bid evaluation process of such contract; or (ii) would be involved in the implementation or supervision of such contract unless the conflict stemming from such relationship has been resolved in a manner acceptable to the IDB throughout the procurement process and execution of the contract; or</p> <p>(d) such firm does not comply with any other conflict of interest situation as specified in the IDB's Standard Bidding Documents relevant to the specific procurement process.</p>
<p><b>Fraud and Corruption (1.13.1)</b></p>	<p>It is IDB's policy to require Beneficiaries as well as bidders/suppliers/contractors under IDB-financed contracts, to observe the highest standard of ethics during the procurement and execution of such contracts. In pursuance of this policy, IDB:</p> <p>i. defines, for the purposes of this provision, the terms set forth below as follows:</p> <ul style="list-style-type: none"> <li>▪ "corrupt practice" means the offering, giving, receiving, or soliciting of anything of value to</li> </ul>	<p>It is IDB's policy to require Beneficiaries as well as bidders/suppliers/contractors and their subcontractors under IDB-financed contracts, to observe the highest standard of ethics during the procurement and execution of such contracts. In pursuance of this policy, IDB:</p> <p>(a) defines, for the purposes of this provision, the terms set forth as follows:</p> <p>(i) "corrupt practice" is the offering, giving, receiving, or soliciting, directly or</p>

	<p>influence the action of a public official in the procurement process or in contract execution; and;</p> <ul style="list-style-type: none"> <li>▪ "fraudulent practice" means a misrepresentation of facts in order to influence a procurement process or the execution of a contract to the detriment of the Beneficiary, and includes collusive practices among bidders (prior to or after submission of proposals) designed to establish bid prices at artificial, non-competitive levels and to deprive the Beneficiary of the benefits of free and open competition;</li> </ul> <p>ii. will reject a proposal for award if it determines that the bidder recommended for award has engaged in corrupt or fraudulent practices in competing for the contract in question;</p> <p>iii. on the evidence of corrupt or fraudulent practices by the Beneficiary or bidders –suppliers or contractors - in the procurement or the execution of the contract, will ask the Beneficiary country to take appropriate action to rescind the contract, failing which IDB will cancel the portion of its financing. For this purpose, IDB will require that the bidding documents embody a statement to this effect, and will also require that, in contracts financed by IDB, a provision be included that gives the Beneficiary country the right to rescind the contract in these circumstances;</p> <p>iv. will declare a firm ineligible, either indefinitely or for a stated period of time, to be awarded an IDB-financed contract if it at any time determines that the firm has engaged in corrupt or fraudulent practices in competing for, or in executing, an IDB-financed contract; and</p> <p>v. will have the right to require that, in contracts financed by IDB, a provision be included requiring suppliers and contractors to permit</p>	<p>indirectly, of anything of value to influence improperly the actions of another party;</p> <p>(ii) “fraudulent practice” is any act or omission, including misrepresentation, that knowingly or recklessly misleads, or attempts to mislead, a party to obtain financial or other benefit or to avoid an obligation;</p> <p>(iii) “collusive practices” is an arrangement between two or more parties designed to achieve an improper purpose, including to influence improperly the actions of another party;</p> <p>(iv) “coercive practices” is impairing or harming, or threatening to impair or harm, directly or indirectly, any party or the property of the party to influence improperly the actions of a party;</p> <p>(v) “obstructive practice”</p> <p>(aa) deliberately destroying, falsifying, altering, or concealing of evidence material to the investigation or making false statements to investigators in order to materially impede an IDB investigation into allegations of a corrupt, fraudulent, coercive, or collusive practice; and/or threatening, harassing, or intimidating any party to prevent it from disclosing its knowledge of matters relevant to the investigation or from pursuing the investigation, or</p> <p>(bb) acts intended to materially impede the exercise of the IDB’s inspection and audit rights provided for under paragraph 1.13.1(e) below.</p>
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	<p>IDB to inspect their accounts and records relating to the performance of the contract and to have them audited by auditors appointed by IDB.</p>	
<p><b>Fraud and Corruption (1.13.1 b-e &amp; 1.31b-e)</b></p>		<p>b) will reject a proposal for award if it determines that the bidder recommended for award, or any of its personnel, or its agents, or its sub-consultants, sub-contractors, service providers, suppliers and/or their employees, has, directly or indirectly, engaged in corrupt, fraudulent, collusive, coercive, or obstructive practices in competing for the contract in question;</p> <p>(c) will declare mis-procurement and cancel the portion of the Financing allocated to a contract if it determines at any time that representatives of the Beneficiary or of a recipient of any part of the proceeds of the Financing engaged in corrupt, fraudulent, collusive, coercive, or obstructive practices during the procurement or the implementation of the contract in question, without the Beneficiary having taken timely and appropriate action satisfactory to the IDB to address such practices when they occur, including by failing to inform the IDB in a timely manner at the time they knew of the practices;</p> <p>(d) will sanction a firm or individual, at any time, in accordance with the prevailing IDB's sanctions procedures,<sup>1</sup> including by publicly declaring such firm or individual ineligible, either indefinitely or for a stated period of time: (i) to be awarded a IDB-financed contract; and (ii) to be a nominated sub-contractor, consultant, supplier, or service provider of an otherwise eligible firm being awarded a IDB-financed contract; and</p> <p>(e) will require that a clause be included in bidding documents and in contracts</p>

<sup>1</sup> A firm or individual may be declared ineligible to be awarded a IDB-financed contract upon: (i) completion of the IDB's sanctions proceedings as per its sanctions procedures, including, inter alia, cross-debarment as agreed with other International Financial Institutions, including Multilateral Development Banks; and (ii) as a result of temporary suspension or early temporary suspension in connection with an ongoing sanctions proceeding.

		<p>financed by the IDB, requiring bidders, suppliers and contractors, and their sub-contractors, agents, personnel, consultants, service providers, or suppliers, to permit the IDB to inspect all accounts, records, and other documents relating to the submission of bids and contract performance, and to have them audited by auditors appointed by the IDB.</p>
<p><b>Fraud and Corruption (1.13.2)</b></p>	<p>With the specific agreement of IDB, a Beneficiary country may include in the bidding document for a large contract financed by IDB, a requirement that the supplier or contractor undertake a commitment to observe, in competing for and executing a contract, the country's laws against fraud and corruption (including bribery) as listed in the bidding document.<sup>2</sup> IDB will accept the introduction of such a requirement.</p>	<p>With the specific agreement of the IDB, a Beneficiary may introduce, into bid forms for contracts financed by the IDB, an undertaking of the bidder to observe, in competing for and executing a contract, the country's laws against fraud and corruption (including bribery), as listed in the bidding documents.<sup>3</sup> The IDB will accept the introduction of such undertaking at the request of the Beneficiary country, provided the arrangements governing such undertaking are satisfactory to the IDB.</p>

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<sup>2</sup> As an example, such an undertaking might read as follows: “We undertake that, in competing for (and, if the award is made to us, in executing) the above contract, we will observe the laws against fraud and corruption in force in the country of the Beneficiary, as such laws have been listed in the bidding documents for this contract

<sup>3</sup> As an example, such an undertaking might read as follows: “We undertake that, in competing for (and, if the award is made to us, in executing) the above contract, we will strictly observe the laws against fraud and corruption in force in the country of the [Purchaser] [Employer], as such laws have been listed by the [Purchaser] [Employer] in the bidding documents for this contract.”