**Procurement Ethics, Fraud and Corrupt Practices**

1. This policy is premised on four key principles of procurement enlisted in the UNDP Financial Regulations and Rules. These are:

1. Best value for money;
2. Fairness, integrity and transparency
3. Effective international competition;
4. The interest of UNDP
5. As a United Nations entity, UNDP funds are entrusted to the organization by the public at large. All procurement transactions must be conducted with impeccable standards to maintain the highest degree of public trust. When Structure Element - Description

When fraudulent and corrupt practices occur, damage extends well beyond financial losses, posing serious threats to UNDP’s ability to achieve its operational and programmatic objectives, and to its credibility as a trusted, efficient and effective partner.

1. As per UN Standards of Conduct, UNDP personnel must be mindful of all risks of fraud and corrupt practices in procurement. This policy guides the prevention of these practices, as well as their identification and the management of appropriate responses. Particular attention must be paid to emergency settings where pressures to achieve rapid results can raise risks of fraud or corruption.
2. UNDP, to conform to the UN standards of conduct, must observe the highest standards of ethics throughout the procurement process. The process must allow all offerors to compete on a fair, equal and transparent basis. All staff associated with procurement are responsible for protecting the integrity and fairness of the process.
3. During the pre-solicitation phase, staff must not allow offerors access to information, whether technical, financial or of any other nature, before it is publicly available. Staff should not use unnecessary restrictive specifications, statements of work or terms of reference that may discourage competition. Staff may not disclose proprietary and source selection information, directly or indirectly, to any individual other than those authorized to receive information at any time prior to or after the selection and contracting process.
4. To avoid conflict of interest, staff with a financial interest in an offeror are prohibited from any involvement in the procurement process. Financial interest means anything of monetary value including, but not limited to an interest in a business consisting of any stock, stock option, or similar ownership interest, but excluding any interest arising solely by reason of investment in such business by a mutual, pension or other institutional investment fund over which the staff member does not exercise control. Financial interest can also entail receipt of, or the right or expectation to receive, any income in one or more of the following forms: a consulting fee, honoraria, salary, allowance, forbearance, forgiveness, interest in real or personal property, dividend, royalty derived from the licensing of technology or other processes or products, rent or capital gain.
5. Staff having personal or professional interests in an offeror are also prohibited from any involvement in the procurement process. Personal or professional interests include, but are not limited to: any organization or enterprise over which the staff member, alone or together with an immediate family member (i.e., employee's spouse or domestic partner, and dependent children) exercises a controlling interest. These interests also involve any corporation, partnership, sole proprietorship, firm, franchise, association, organization, holding company, joint stock company, receivership, business or real estate trust or any other nongovernmental legal entity organized for profit, non-profit, or charitable purposes; or any executive position or membership on the offeror’s board regardless of compensation; or any position that includes responsibilities for a significant segment of the offeror’s operation or management of a business.
6. Any procurement personnel maintaining a conflict of interest or potential conflict should immediately notify the Resident Representative/Country Director or head of the business unit.
7. UNDP should exclude suppliers, contractors and consultants from tendering for procurement opportunities if they or their affiliates provided consulting services for the preparation and implementation of a project. To prevent a conflict of interest, the offeror and their affiliates are disqualified from subsequently providing goods and civil works under UNDP financing for the same project.
8. To safeguard UNDP against illicit use of publicly entrusted funds in terrorist financing, business units should assess all entities with whom business is conducted to ensure that funds are used for their intended purposes. To sustain financial control of such public funds and compliance with United Nations regulations and guidelines regarding anti-terrorist financing practices, organizational due diligence requires business units to undertake a review of the entity’s profile, including background, financial reports, annual statements, etc., and to confirm business registration with government authorities. All entities must be verified to ensure that they are legitimate, not listed on the [UNGM list of suspended or removed vendors](http://www.ungm.org/Admin/IneligibleVendors), which subsumes the Security Council 1267 Committee's list of terrorists and terrorist financiers, UNDP’s list of suspended or removed vendors, and other required lists.

The verification of vendors may require obtaining supporting documentation of a bona fide business relationship between UNDP and the vendor. Key supporting documents include originals or certified copies showing the complete name, address, and banking details of the vendor and duly signed by an authorized company official, supported by a copy of the bank statement or a voided cheque. This supporting documentation should be maintained and securely filed. The full procedure and related procedural guidance, including the checking of alternate sources of information to ensure the vendor is legitimate, is specified within the POPP.

1. All staff are responsible for the regularity of their actions. Any staff member taking action contrary to the UNDP Financial Rules and Regulations or this policy may be held personally and financially liable for the consequences.
2. Key risks to avoid in each phase of procurement include:

Procurement planning/budgeting:

1. Inadequate analysis of the supply market, organizational requirements, and stakeholder needs and issues
2. No planning undertaken, thus no risks assessed
3. Procurement needs artificially inflated or stated in a manner that permits low quality goods/services to pass
4. Requirements prepared in a manner that favours or disfavours particular suppliers
5. Poorly substantiated ‘justification’ for waivers
6. Budgets set artificially high

Procurement selection:

1. Using inappropriate procurement methods with the aim of finding ways to subvert the regular decision-making process
2. Evaluation criteria designed to favor a particular supplier or disqualify others
3. Information shared to favour a particular supplier
4. Unfairly restricting the pool of potential suppliers
5. Accepting late bids/proposals
6. Rejecting legitimate bids
7. Inappropriately evaluating a supplier
8. Mishandling bids received
9. Failing to detect fraudulent documents submitted by bidders

Contract award and management:

1. Splitting procurement actions to stay below the threshold for procurement review
2. Unrealistically low bid with expectation to later amend the contract
3. Unrealistically high calibre goods/experts presented in a submitted proposal, with a high risk of being replaced later by inferior ones
4. Corrupt subcontractors
5. Contract differs from bid/proposal in terms of specifications, quantities, level of effort, delivery schedule and payment terms
6. Oversight and reporting requirements minimized to avoid proper quality control
7. Inadequate personnel for oversight
8. Acceptance of cost overruns
9. Manipulation and destruction of supporting documentation
10. Splitting contracts/purchase orders to avoid scrutiny
11. Unjustified contract extension or amendment

Constant vigilance is needed, with an emphasis on:

1. Reinforcing ethical behaviour as directed by UNDP policies, supported by adequate training and advice on ethical dilemmas
2. Ensuring adequate procurement planning, including assessment of risks
3. Maintaining separation of duties.
4. Acting in a transparent manner, such as publicly sharing procurement schedules and plans, solicitations and contract awards
5. Ensuring supervision, such as through regular spot checks of procurement transactions and vendor profiles, and background checks of suppliers
6. Preparing annual reports on procurement activities, paying particular attention to the number of waivers regardless of the amount involved, the cumulative number of contracts per vendor, and so on
7. Reporting instances of fraud and corruption in a timely and accurate manner

Structure Element - Procedures

Vulnerable Areas in Procurement

1. **Conflict of interests:** Any input into the procurement process by a party with vested interests in the outcome creates a conflict of interest. Conflicts can be actual, perceived or potential. They are most serious during:
2. During the **strategy development phase**, inadequate or biased supply market research can limit sourcing to particular products or suppliers. Examples include terms of reference or/and technical specification fair competition. All those involved in key steps of procurement must declare all interests, including actual, perceived and potential, in advance. They should also sign confidentiality agreements not to disclose information received during the process.
3. **Collusion between UNDP staff members or between UNDP personnel and suppliers** could involve kick-backs or bribes, resulting in UNDP personnel manipulating the process, such as by restricting the list of suppliers. It is critical not to allow personnel to operate alone in many steps of the procurement process, especially in evaluation of and negotiations with suppliers.
4. When different suppliers have the same owners or are otherwise associated, competition may not be meaningful. Limited invitations increase exposure to this risk, since the suppliers could act as a cartel to affect pricing or decisions. Improper granting of ‘sole supplier’ status reduces competition and can lead to non-genuine competition.
5. Ensure a large pool of competitive suppliers and avoid waiver cases, especially on a ‘sole sourcing’ basis. In many supply markets, there may be limited sources, a risk factor that necessitates careful supply market analysis that should be well documented and provided to the procurement review committees for scrutiny.

1. It may also be possible to consider substitute products or services that would meet the same need.  In some cases, this will allow sourcing from more competitive markets. Search the United Nations Global Marketplace for potential suppliers and advertise procurement opportunities to allow public scrutiny of requirements. Give opportunities to larger pools of suppliers. Do thorough background checks on companies and look for suppliers that have different names but the same phone numbers, addresses, banking information, owners and managers.
2. **Unfair advantage to individual suppliers** means that information is not disclosed consistently to all potential suppliers during the solicitation process, or inside information is disclosed to a potential supplier or existing vendor. Permitting personnel to act alone or undertaking ineffective market research can give rise to unfair advantage.
3. Document the interactions with suppliers and potential suppliers in the presence of more than one individual. Make this a requirement. Undertake structured and well-documented market research, both at planning and procurement process stages.
4. Avoid answering queries from bidders on the phone, unless the question and responses will be captured in detail and shared in writing with other bidders.
5. **Circumventing thresholds** for undertaking formal solicitations and for review by procurement review committees occurs by splitting orders, establishing long-term agreements that have no total value, and estimating costs below real costs to bring in low-value contracts that are later adjusted. When extending or amending contracts, determine the contract history and current cumulative contract amount, and justify why the contract is being extended or amended.
6. Run reports in Quantum to allow the generation of lists that involve multiple orders from the same vendor. Compare Quantum purchase orders greater than the threshold against procurement review committee online reports for a given business unit.
7. **Inadequate knowledge of market or nature of goods/services being procured** can lead to improperly approaching the market, obtaining poor quality goods/services, not getting value for money, or overpricing.
8. Ensure that those undertaking procurement have adequate knowledge and skills to address the level of complexity they are dealing with.
9. **Improper hospitality, gifts and inducements** include bribes and incentives such as free or discounted goods and private services.
10. Watch for excessive hospitality disguised as learning or demonstration events.  Watch for contracts that are structured around benefits such as free tickets from travel agencies, when those benefits become a key evaluation criterion.

**Lack of substantiated need for goods or services**

1. Check procurement strategies, plans and solicitation requirements against project document.  Ask if the quantity and/or duration seem appropriate for the need
2. **Inadequate knowledge and skills of personnel** Procurement is a strategic and complex administrative task that requires expertise at many levels. Low levels of competency increase exposure to risks, especially supplier fraud.  This is particularly the case in emergency situations, where UNDP may have to undertake substantial activities with limited number of staff and time.
Use procurement planning with supplier positioning/risk assessments to help determine the nature of competencies required for particular procurement transactions. Use expressions of interest and well-documented supply market research to collect intelligence on requirements. The UNDP SURGE project, UNDP and roving procurement specialists are available to help country offices with short-term needs.
3. **Shortcuts** limit time for bidding and inappropriate issue expressions of interest or requests to quote. Risks of fraud rise dramatically, as both suppliers and UNDP personnel act on insufficient information. This is a critical risk especially in emergency situations. Take time to assess the nature of procurement challenges and associated risks, and plan accordingly.  Investment in upfront analysis and planning will actually save time even in emergency situations and mitigate risks.
4. Structure Element - Roles & Responsibilities
5. Financial Disclosure form (under construction).
6. Statement of Interest (under construction)
7. Declaration of Impartiality
	* 1. [English](https://popp.undp.org/node/3981)
		2. [French](https://popp.undp.org/fr/node/3981)
		3. [Spanish](https://popp.undp.org/es/node/5231)
8. To protect the integrity of the procurement process, potential abuses may be referred to the [UNDP Online Fraud Reporting System or to OAI](http://www.undp.org/hotline/)

1. Please also refer to [UN Security Council Sanctions List](https://www.un.org/sc/suborg/en/sanctions/1267/aq_sanctions_list) Structure Element - Description

Structure Element - Relevant Policies