

Dealing with Fraud and Corruption in procurement

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EBRD's Treaty Obligations

- Purpose of Bank is to foster the transition towards open market-oriented economies
..in Central and Eastern European Countries
- The Bank shall take the necessary measures to ensure that its proceeds are used only for the purposes for which they are intended

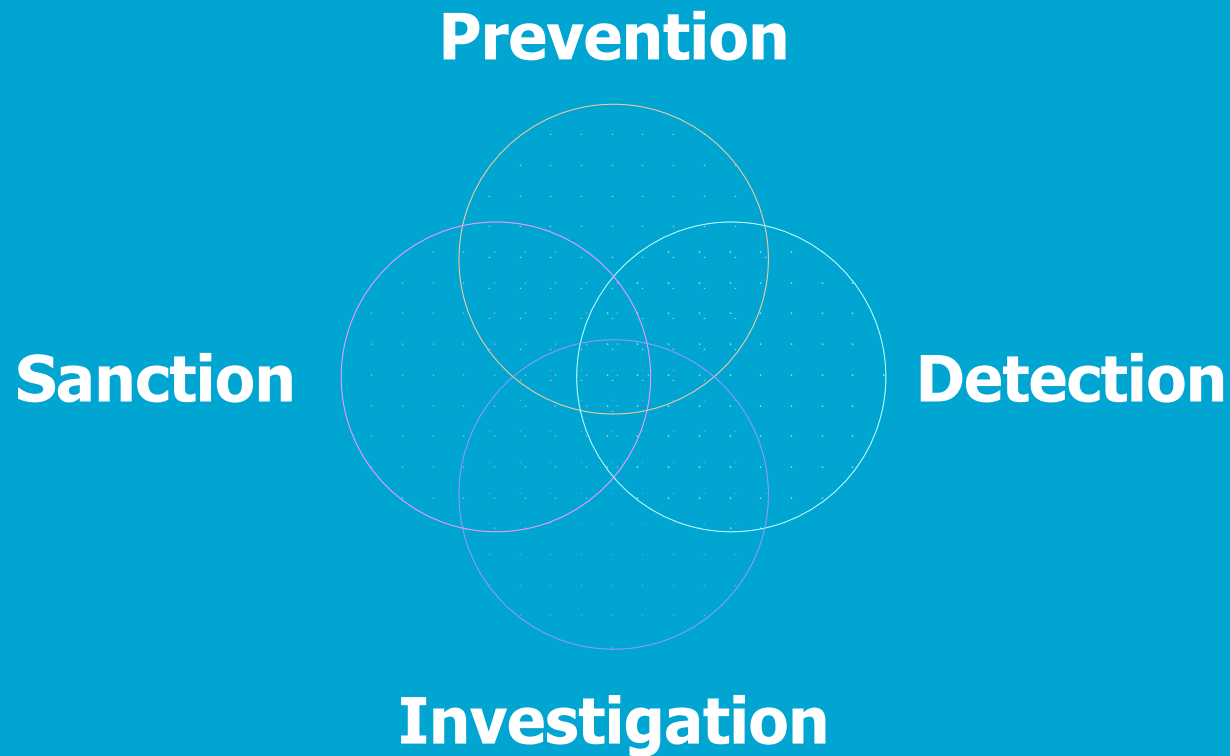


Objectives

- Promote good governance in projects financed by EBRD and in countries of operation
- Deal with allegations of fraud and corruption



Anti-Corruption Strategy



EBRD Financed Projects

- **Private Sector Projects**

(in 2005 - €3,245 Billion / 76%)

OR

- **Public Sector Projects**

(in 2005 - €1,032 Billion / 24%)



EBRD's Procurement Policies and Rules

- Detailed rules for public sector
 - open tendering the norm
- Policies and objectives for private sector
 - Follow normal acceptable commercial practices
- Consultant services
 - Competitive selection



Corrupt Practices – Paragraph 2.9

- A corrupt practice is the offering, giving, receiving, or soliciting, directly or indirectly, anything of value to influence improperly the actions of another party.
- Expands previous definition relating only to a public official and to procurement
- Will apply to both public sector and private sector operations



Fraudulent Practices – Paragraph 2.9

- A fraudulent practice is any act or omission, including a misrepresentation, that knowingly or recklessly misleads, or attempts to mislead, a party to obtain a financial or other benefit or to avoid an obligation
- Also coercive and collusive practices



Investigating Allegations

- Reporting allegations through Hot-line or Compliance In-Box, or other means
- Investigation by Office of Chief Compliance Officer
- Can include inspection of accounts and records and external auditors appointed by Bank



Determining Culpability

- OCCO assesses allegation and reports findings to Procurement Contracting Committee (PCC)
- PCC will determine what further action to take
- Executive Committee makes final decision



Possible sanctions

- Actions against firms or individuals
- Actions against Bank clients
- Actions against non-Bank clients



Actions against firms or individuals

- Bank can reject a proposal for an award to a firm or individual
- Declare a firm/individual ineligible, either indefinitely or for a stated period of time, to be awarded a Bank financed project
“Blacklisting”



Actions against Bank clients

- Cancel the portion of the Bank's financing allocated to the contract in question unless the client has taken timely and appropriate remedial steps



Actions against non-Bank clients

- Where a client or firm has been found by a judicial process or other official enquiry to have engaged in corrupt or fraudulent practices, the Bank reserves the right to take the identical actions against such client or firm as being the case under its own funded projects “Cross Debarment”



Exclusion through due diligence

- Even if no decision with respect to “Blacklisting” or “Cross Debarment”
- Firm, individual, or client will be excluded from working with Bank in future projects through application of Bank’s Due Diligence Guidelines.
- Business decision, not a sanction



IFIs Joint Actions to Combat Fraud and Corruption

- Agreement on standardised definitions of fraudulent and corrupt practices in activities financed by the member institutions;
- Agreement to strengthen the exchange of information, as appropriate and with due attention to confidentiality, in connection with investigations into fraudulent and corrupt practices;
- Agreement to explore further how compliance and enforcement actions taken by one institution can be supported by the others.

