

# PROCUREMENT FRAUD AND CORRUPTION PRACTICE

## 1.0 DESCRIPTION

Procurement is a key area where UNDP, as a public service organization, interacts financially with the private sector. As such, it is a prime area for fraudulent and corrupt practices. Please refer to the [UNDP Fraud Policy](#) to understand better the nature of fraud and UNDP response. But the potential damage relating to fraudulent and corrupt practices extends well beyond financial losses. Fraud and corruption pose serious threats to the ability of UNDP to achieve its operational objectives. They can hamper implementation of programmes and projects. Moreover, there is a serious risk that the very credibility of UNDP, as a trusted, efficient and effective partner is at stake.

*Particular attention must be paid to UNDP procurement in emergency or crisis settings.* When UNDP operates in emergency situations, the pressures to achieve results rapidly run the risk of having fraudulent or corrupt operations.

There are several areas of risk in procurement where there is potential for fraud and corruption:

- Gifts and benefits
- Consistency and continuity of process
- Communication with vendors
- Conditions of offer and deadlines
- Invitation to offer documentation
- Finalizing contracts
- Briefing and debriefing sessions
- Documentation
- Conflict of interest
- Supplier probity

The purpose of this chapter is to alert UNDP personnel of areas of risk for fraud and corrupt practices in procurement, and provide guidance in the prevention, identification and response to instances such as fraudulent or corrupt practices. Please be reminded that no guidance can cover all aspects, especially with fraud.

Constant vigilance is needed, with emphasis on certain principles. Fundamental Principles are:

- Reinforcing ethical behavior as public servants and particularly in procurement areas, as directed by the UNDP policies. This should be supported by adequate training and opportunities to receive advice on ethical dilemmas.

Ensuring adequate procurement planning such as identification and assessment of risks, capacity to address such issues in the Business Unit.

Ensuring separation of duties.

Acting in a transparent manner during procurement processes, such as posting in advance the procurement schedules and plans, solicitations and contract awards on the United Nations Global Marketplace ([www.ungm.org](http://www.ungm.org)), on the United Nations Development Programme ([www.undp.org](http://www.undp.org)) and in other relevant web sites, newspapers and trade journals.

Ensuring supervision. Managers must personally engage in a regular spot check of procurement transactions, including the files, goods and services. They should also check ATLAS on vendor profiles and procurement transactions for multiple purchase orders. Finally, background checks must be conducted with all suppliers to ensure they are bona fide companies.

Preparing annual reports on procurement activities.

Reporting instances of fraud and corruption on a timely manner.