

# PROCUREMENT GUIDANCE



## Conflict of Interest

How to identify and manage conflicts of interest in Evaluation Committees

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# Common abbreviations and defined terms

This section explains the common terms and abbreviations used in this Guidance document. Defined terms are written using capital letters.

Abbreviation / term	Full terminology / definition
<b>Bank</b>	IBRD and/or IDA (whether acting on its own account or in its capacity as administrator of trust funds provided by other donors).
<b>Bid</b>	An offer, by a firm or joint venture, in response to a Request for Bids, to provide the required Goods, Works or Non-consulting Services.
<b>Bidder</b>	A firm or joint venture that submits a Bid for Goods, Works, or Non-consulting Services in response to a Request for Bids.
<b>Borrower</b>	A Borrower or recipient of Investment Project Financing (IPF). This term may include any entity of the Borrower that is involved in the implementation of a project financed by IPF.
<b>Consultant</b>	A variety of private entities, joint ventures, or individuals that provide services of an advisory or professional nature. Where the Consultant is an individual they are not engaged by the Borrower as an employee.
<b>Consulting Services</b>	Covers a range of services that are of an advisory or professional nature and are provided by Consultants. These Services typically involve providing expert or strategic advice e.g., management consultants, policy consultants or communications consultants. Advisory and project related Consulting Services include, for example: feasibility studies, project management, engineering services, finance and accounting services, training and development.
<b>Core Procurement Principles</b>	The principles set out in Section III, C. of the Bank Policy on <i>Procurement in IPF and Other Operational Procurement Matters</i> .
<b>EC</b>	Evaluation Committee.
<b>Fairness</b>	The principle of fairness refers to (i) equal opportunity and treatment for Bidders and Consultants; (ii) equitable distribution of rights and obligations between Borrowers

	and suppliers, Bidders, Consultants, and contractors; and (iii) credible mechanisms for addressing procurement-related complaints and providing recourse.
<b>Fraud and Corruption</b>	The sanctionable practices of corruption, fraud, collusion, coercion and obstruction defined in the Anti-Corruption Guidelines and reflected in Annex IV (paragraph 2.2a) to the Procurement Regulations.
<b>IBRD</b>	International Bank for Reconstruction and Development.
<b>IDA</b>	International Development Association.
<b>Integrity</b>	The principle of integrity refers to the use of funds, resources, assets, and authority according to the intended purposes and in a manner that is well informed, aligned with the public interest, and aligned with broader principles of good governance. The Bank therefore requires that all parties involved in a Bank-financed Procurement Process observe the highest standard of ethics during the Procurement Process and refrain from fraud and corruption.
<b>Procurement Policy</b>	Bank Policy <i>Procurement in IPF and Other Operational Procurement Matters</i> .
<b>Procurement Process</b>	The process that covers all the stages of a procurement.
<b>Procurement Regulations</b>	The <i>World Bank Procurement Regulations for IPF Borrowers</i> .
<b>Proposal</b>	An offer, in response to a request for proposals, which may or may not include price, by one party to provide Goods, Works, Non-Consulting Services or Consulting Services to another party.
<b>RFB</b>	Request for Bids.
<b>RFP</b>	Request for Proposals.
<b>TOR</b>	Terms of Reference.

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# Introduction

## Purpose

This Guidance is designed to assist Borrowers in identifying and managing conflicts of interest that may arise in procurement Evaluation Committees (ECs). It supports good procurement practice in World Bank-financed procurements funded through Investment Project Financing (IPF). Borrowers may also choose to use this Guidance when managing procurements under their National Procurement Procedures.

The Bank's requirements in relation to conflicts of interest are described in the [Bank Policy Procurement in IPF and Other Operational Procurement Matters \(Policy\)](#) and the [Procurement Regulations for IPF Borrowers](#) (Procurement Regulations). The content of this guidance is non-mandatory and provides supplementary background only, by way of illustrating good practice.

## Context

The Bank's Policy sets out the vision, key principles and policy requirements governing procurements financed by the Bank. The Policy addresses conflict of interest as part of the provisions on governance and states:

*“**Conflict of Interest.** The Bank requires that all parties involved in the Procurement Process not have a conflict of interest, unless such a conflict has been resolved in a manner acceptable to the Bank.”*

The Policy also describes the Bank's Core Procurement Principles, which are relevant to managing conflict of interest.

## Core Procurement Principles

The Bank's Core Procurement Principles generally guide how Bank-financed procurements are conducted. In relation to conflict of interest the following principles have particular relevance to conflict of interest:

### Integrity

The principle of integrity requires that all parties involved in the procurement, including their personnel, observe the highest standard of ethics throughout the process, including refraining from fraud and corruption (as defined in the Bank's Anti-Corruption Guidelines).

### Fairness

The principle of fairness requires equal opportunity and treatment of all Bidders/Proposers/Consultants participating in the procurement process.



## Transparency

For the purpose of this Guidance, the principle of transparency requires that relevant procurement information is made publicly available to all interested parties. Transparency can imply accountability, openness and communication.

## Scope

The Bank's Policy requires that *all parties involved in the Procurement Process not have a conflict of interest*. This means that the Policy applies to all members of the procuring agency's procurement team, all specialists and technical advisors who are asked to advise on the procurement, all members of the EC and anyone involved in making a recommendation, approving a recommendation or making an important decision in the procurement.

Whilst this Guidance focusses on managing conflicts of interest in ECs, the good practices described are equally applicable to managing conflicts of interest in relation to all other parties involved in the Procurement Process.

# Conflict of interest explained

## What is a conflict of interest?

This Guidance deals with conflicts of interest arising in procurement decision-making processes, specifically in relation to Evaluation Committees. The role of the EC is to objectively evaluate bids/proposals and to identify and recommend the most advantageous bid/proposal.

A conflict of interest arises where an EC member has some other interest that could materially interfere with their duty to act impartially in the evaluation process. That is why each EC member has an obligation to disclose any conflict of interest before participating in the evaluation.

A conflict of interest affects, or can be perceived to affect, a person's independence, objectivity or impartiality. It occurs when an individual is subject to two coexisting interests that are in direct conflict with each other. For example, a person may derive some form of personal benefit or advantage or avoid a personal disadvantage if a decision made in their official capacity has a particular outcome. In participating on an EC each member is required to put their service to the Borrower ahead of any personal interests.

## How does a conflict of interest arise?

Generally, a conflict of interest can arise due to:

1. a relationship
2. an activity.

### A relationship

This category covers a range of different types of relationships, such as: business interests, family, religious communities, close personal friendships or political affiliations. A conflict of interest can arise when a firm bidding for the contract is in some way related to the EC member, for example, the EC member:

1. owns shares in the firm
2. has previously worked for the firm, or is currently working for the firm (secondary employment)
3. has a relative who is a senior executive at the firm
4. their community or church leader is a majority shareholder in the firm
5. a close personal friend is on the board of the firm
6. regularly plays golf with the chairman of the firm.

## An activity

This category covers a range of different types of activities that the EC member is involved in, in relation to a firm bidding for the contract. A conflict of interest can arise when the EC member, for example:

1. has received gifts or hospitality from the firm
2. favors the firm in the evaluation process in order to receive gifts, hospitality, money or some other benefit in return
3. owes money to the firm
4. has a personal or family obligation that is owed to the firm
5. has a professional or legal obligation to the firm.

## Three types of conflict of interest

Conflict of interest is often categorized as three types. These are where a person's independence, objectivity or impartiality *are compromised, could be compromised, or may be seen by some as being compromised*. These are described as:

1. **Actual:** where a real conflict already exists, for example:  
*an EC member's father owns a company that has submitted a bid*
2. **Potential:** where a conflict is about to happen, or could happen, for example:  
*an EC member is CEO of a business that is in the process of acquiring ownership of a firm that has submitted a proposal*
3. **Perceived:** where others might reasonably perceive that a person is compromised and unable to be independent, impartial or objective (the appearance or perception by others of a conflict of interest can be as damaging as an actual conflict of interest), for example:  
*where a close personal friendship exists between an EC member and the director of a firm that has submitted a bid and they are often seen playing golf together and socializing in local bars and restaurants.*

## Why managing conflicts of interest is important

The purpose of using an Evaluation Committee is to ensure that bids/proposals are given an objective and fair evaluation. The evaluation cannot be objective or fair if someone on the EC has a conflict of interest that unfairly impacts the evaluation and distorts the results through bias.

Where an actual, potential or perceived conflict of interest is not identified, or is identified but not appropriately managed it can:

1. compromise the EC evaluation and decision-making
2. affect the integrity or reliability of the process and result
3. lead to challenge of the award decision and dispute which causes delays and additional costs
4. disrupt the selection process and jeopardize the procurement
5. result in a misprocurement being declared
6. impact the Borrower's reputation.

It is therefore essential to take measures to preclude a conflict of interest impacting a procurement. This means having systems and processes in place to:

1. check for conflicts of interest
2. identify and report any actual, potential or perceived conflict of interest
3. resolve any conflict of interest in a manner acceptable to the Bank.

# Borrower's Evaluation Committees

## Borrower's responsibilities

The Borrower is responsible for carrying out project procurement activities in accordance with the Procurement Regulations. This includes the application of the Core Procurement Principles, and in particular the principles of fairness, integrity and transparency.

Under the Bank's Procurement Policy Borrowers must ensure all parties involved in Bank-financed procurement do not have a conflict of interest. Generally, this means anyone actively involved in a procurement or who could influence the process or the outcome of a procurement. Examples of parties involved include:

1. purchasing agency's procurement team (which comprises staff, and may include specialist consultants, external technical experts and staff from other government agencies)
2. Evaluation Committee (all members including the Chair)
3. any consultant or external technical specialist asked to advise the procurement team and/or the EC
4. anyone involved in making a recommendation, approving a recommendation or making an important decision
5. anyone making a financial approval for the procurement.

Integrity of each procurement process is critical, as it:

1. gives bidders/proposers, stakeholders and beneficiaries confidence in the procurement process and the award decision resulting from the evaluation
2. ensures that each bid/proposal is objectively evaluated against the stated criteria and methodology
3. ensures that no bidder/proposer is unfairly advantaged or disadvantaged
4. ensures that the process and decisions are transparent, impartial and accountable.

Borrowers therefore need to demonstrate high standards of probity in conducting Bank-financed procurement and ensure that conflicts of interest are identified and resolved in a manner acceptable to the Bank. This generally means ensuring that everyone involved in undertaking the procurement, and in particular the members of the EC:

1. act fairly, impartially and with integrity
2. are accountable and transparent
3. act lawfully
4. identify, declare and manage conflicts of interest
5. take care to secure commercially sensitive and confidential information

6. have no contact with bidders/proposers for the duration of the Procurement Process..

Borrowers may engage an independent Probity Assurance Providers to support these requirements. Probity Assurance Providers may be present during different stages of the procurement process, including:

1. early market engagement
2. bid/proposal opening
3. bid/proposal evaluation
4. negotiations
5. contract award decisions.

The Bank can require a Borrower to appoint a Probity Assurance Provider. In this case, the Borrower needs to obtain the Bank's agreement as to the selection and appointment.

### **EC member's responsibilities**

ECs are often composed of the Borrower's staff and may include external specialists and technical experts, if required. Each EC members' impartiality is as important as their professional expertise and proficiency in applying the evaluation methodology.

In agreeing to participate on the EC each person undertakes to declare any conflict of interest, discharge their obligations and responsibilities to the highest standards of integrity, carry out the duties impartially and fairly and refrain from fraud and corruption. They must follow the evaluation rules set out in the bidding documents and the instructions given to them by the Borrower and/or the EC chair.

An EC member that has a conflict of interest should be precluded from participating in the evaluation process.

# Identifying and managing conflicts of interest

## 3 STEPS to managing conflicts of interest

### STEP 1: Declaration

The first step in managing conflicts of interest is to determine whether any exist. For that reason, each person being appointed to the EC must make a formal declaration. This involves checking if they have any actual, potential or perceived conflict of interest in participating on the EC. It is good practice to require members to complete and sign a conflict of interest declaration when they are appointed to the EC. This must be done in advance of the evaluation process being initiated. An example declaration is provided at Annex 1.

The declaration should be revisited once the identities of the bidders/proposers are known. At that point each member must make a further declaration in relation to any actual, potential or perceived conflict of interest they may have in relation to any bidder/proposer.

### STEP 2: Identify conflict of interest

Each EC member, including the Chair, must submit their completed and signed conflict of interest declarations to the head of the project implementation unit (PIU). The head must ensure that each declaration has been properly completed and signed then checked to see if an actual, potential or perceived conflict of interest has been declared. On identifying a declared conflict of interest, the PIU must put in place measures to manage and resolve the conflict to the Bank's satisfaction.

### STEP 3 – Managing conflict of interest

Where a conflict of interest has been identified it should be managed and resolved quickly, and in a manner acceptable to the Bank. It should be managed in a way that is appropriate, fair and transparent. Failure to effectively manage a conflict of interest may result in complaints, the overturning of the EC evaluation recommendation and/or a declaration of misprocurement by the Bank.

Where a conflict of interest arises from an EC member's declaration the person in charge of procurement in the PIU will prepare a management plan for approval by the head of the PIU. The process of managing the conflict of interest must be recorded in writing. (This will usually include: the name of the person declaring the conflict, the nature of the conflict, the deliberations on managing the conflict, the decision to resolve the conflict and the action taken.) This record, including any appropriate forms, should be submitted to the chairperson of the EC prior to the commencement of the evaluation. The minutes of the evaluation will record any conflicts of interest and how they were resolved.

For bids/proposals that are subject to the Bank's prior review, the minutes of the evaluation and the completed forms should be submitted to the Bank for review together with the bid/proposal evaluation report. For bids/proposals that are not subject to the Bank's prior

review, the minutes of the evaluation and the completed forms should be kept on file for the Bank's post review at a later date.

There are several measures that can be taken to resolve a conflict of interest. The particular measure applied will depend on the specifics of the case. Options include:

1. removing the EC member from the EC
2. imposing a restriction on the member's further involvement with a bidder/consultant during the evaluation process. The restriction can be applied where an EC member has an unconnected business relationship with a bidder/consultant
3. engaging an independent adjudicator to determine if a perceived conflict of interest exists and if it does, to advise on appropriate management of the conflict of interest, for example: the Borrower's conflict of interest specialist may be used to adjudicate and advise on the management of the conflict of interest
4. the EC member relinquishes the business interest or resigns the position that causes the conflict of interest.

Even if a conflict of interest is considered to have been managed or mitigated, the Borrower may still decide to remove an EC member from the EC to avoid any perception of conflict of interest.

For further questions on conflict of interest, please contact your local Bank procurement representative.

# Annex I. Example Declaration Form

## CONFLICT OF INTEREST DECLARATION Evaluation Committee

Name (of person making the Declaration):

Position / title:

Organization:

Procurement Project:

### Declaration

I understand my role as a member of this procurement Evaluation Committee and I make this declaration in good faith. *Select one of the following two options:*

#### NO CONFLICT OF INTEREST

- I have no actual, potential or perceived conflict of interest in relation to this procurement process and my role as a member of the Evaluation Committee and I undertake to carry out my duties with the highest degree of objectivity and integrity.

#### CONFLICT OF INTEREST

- I have a conflict of interest.

1. Select the type of conflict of interest:

- Actual:** This is an existing conflict of interest, for example: you have a close relative who is a director of one of the firms that has submitted a bid/proposal.
- Potential:** This is a conflict of interest that is about to happen or could happen, for example: you or a close relative is in the process of being hired by, or acquiring part or full ownership of a firm that has submitted a bid/proposal.
- Perceived:** This is a conflict of interest which might be reasonably perceived by others as compromising a person's objectivity, for example: you have a close personal friendship with a director of one of the firms that has submitted a bid/proposal.

2. Describe the circumstances giving rise to the conflict of interest:

--

Signature:	
Date:	

## Review of Declaration *this part to be completed by the PIU*

Check the Declaration has been completed and signed. Where a conflict of interest has been declared state how the conflict of interest will be managed:

### Conflict of interest management plan:

- Remove the EC member from the EC
- Impose a restriction on the EC member
- Engage an independent adjudicator
- EC member relinquishes the business interest that causes the conflict of interest
- EC member resigns from the position that causes the conflict of interest.

Provide details:

--

### Person proposing the management plan *(Person in charge of procurement in the PIU)*

Name and title:	
Signature:	
Date:	

### Person approving the management plan *(Head of PIU)*

Name and title:	
Signature:	
Date:	

### Consent of person making the Declaration *(not required when the plan is to remove the EC member from the EC)*

Signature:	
Date:	

## NOTE ON CONFLICT OF INTEREST DECLARATIONS

Often the conflict of interest declaration will include additional undertakings. These can be added to the above example declaration. Additional undertakings can include, for example:

### **Confidentiality**

Example:

*“I understand that the procurement project’s information, discussions, meetings, correspondence and material are confidential and I agree to keep this information safe and not supply this information to, or discuss this information with, anyone outside the Evaluation Committee.”*

### **No contact with bidders/proposers**

Example:

*“I agree that I will have no contact with any bidder/proposer during the procurement. In particular, I will not:*

- a. pass information or make comments to them about the procurement*
- b. receive any gift, gratuity, hospitality or any inducement from them*
- c. be in contact with, or meet them, or have any discussion about the procurement with them.*

*I will immediately pass any requests for information or meetings that I receive from any bidder/proposer to the EC Chair.”*

# Annex II. Examples of managing conflict of interest

**Disclaimer:** The names used in the examples below are hypothetical and any resemblance with the name of an actual person or firm is purely coincidental.

## Close Family Relations (e.g. husband/wife/uncle)

1. Mr. Xavier has been appointed as one of the EC members in a Procurement Process for the selection of a contractor for the rehabilitation of a road. Four Bids have been received from Bidders. The wife of Mr. Xavier is the managing director of Bidder A and Bidder B is a firm that is wholly owned by his uncle. There is an **actual conflict of interest** between Mr. Xavier and Bidders A & B because of the close family relations. There is a likelihood Mr. Xavier will not be fair and impartial when evaluating the Bids from the two Bidders.
2. Mr. Xavier needs to declare the conflict of interest using the form in Annex I. The head of the PIU and the person in charge of procurement in the PIU should discuss the mitigation measures to be applied to manage the conflict of interest. The best cause of action is to **remove** Mr. Xavier from the EC and to **prevent him from having access to any information** on the evaluation process. However, if the actual conflict of interest is identified when the evaluation process is too far advanced, the fore mentioned measure will not be able to manage it and it might be necessary for the Borrower to consider disqualifying Bidder A and Bidder B or in the worst-case scenario, cancelling the procurement process.

## Close Family Relations (e.g. Mother/son)

1. Mrs. Yas is a member of an EC with the responsibility of preparing a shortlist and evaluating Proposals from consulting firms. After the shortlisting exercise has been completed, the shortlisted firms are invited to submit their Proposals. During the period when the shortlisted Consultants are preparing their Proposals, Mrs. Yas is informed by her son that he has been invited for a job interview by Alba Consulting (Alba), which is one of the shortlisted Consultants. Mrs. Yas realizes that there is a **potential conflict** of interest between her and Alba due to the likelihood of her son being employed by the firm during or after the evaluation process.
2. Mrs. Yas needs to declare the conflict of interest using the form in Annex I. The head of the PIU and the person in charge of procurement in the PIU should discuss the mitigation measures to be applied to manage the conflict of interest, the best of which is to **remove her** from the EC.
3. However, if Mrs. Yas's son drops out of the interview process before the Proposals are received from Consultants, the potential conflict of interest will be removed. Mrs. Yas needs to inform the head of the PIU of this development and thereafter, her membership in the EC may be reinstated.

4. However, if the potential conflict of interest is identified when the evaluation process is too far advanced, the fore mentioned measures may not be able to manage it and it might be necessary for the Borrower to consider disqualifying Alba or in the worst-case scenario, cancelling the procurement process.

### Close Friendship/Business Interest

1. Ms. Graham owns 25 % shares in Winchester Ltd. Her close friend Christine is a director of Gaines Ltd. Ms. Graham has been invited to be a member of the EC to evaluate the Bids for the supply and installation of a power plant. Ms. Graham is a top expert in supply and installation of power plants and the EC is looking forward to using her experience to undertake the evaluation thoroughly.
2. Both Winchester Ltd and Gaines Ltd have submitted Bids. It is clear to everyone that there is an **actual conflict of interest** between Ms. Graham and Winchester Ltd due to her ownership of shares; and a **perceived conflict of interest** between her and Gaines Ltd due to her close friendship with Christine.
3. Ms. Graham declares the conflicts of interest using the form in Annex I. The head of the PIU and the person in charge of procurement in the PIU meet to discuss the mitigation measures she should undertake to remain a member of the EC. They agree that she will **relinquish her 25% shares** in Winchester Ltd and her contact with her friend Christine will be **restricted** during the evaluation process.
4. However, if the conflicts of interest are identified when the evaluation process is too far advanced, the fore mentioned measures may not be able to manage them, and it might be necessary for the Borrower to consider disqualifying Winchester Ltd & Gaines Ltd or in the worst-case scenario, cancelling the procurement process.

### Membership in an Association/ Perceived Close Family Relations

1. Mr. William is a member of the Board of the swimming club which is chaired by Ms. Cricket. Ms. Cricket is the owner of Lohan Ltd which is bidding for a contract for the supply of computers in a Bank funded project. Mr. Williams is a member of the EC that is going to evaluate the Bids. At Bid opening, a Bid from Lohan Ltd is received. Another Bid is received from Kerr Ltd which is wholly owned by Mr. Jackson. Mr. Jackson is a fifth cousin of Mr. William's wife.
2. To manage the **perceived conflict of interest** between Mr. William and Lohan Ltd, the head of the PIU and the person in charge of procurement in the PIU agree that Mr. William should **resign** from the Board of the swimming club due to his close association with Ms. Cricket. The alternative is for Mr. William to be **removed from the EC**. Mr. Williams agrees to resign from the Board of the swimming club.
3. Regarding the **perceived conflict of interest** between Mr. William and Kerr Ltd, it is agreed that an **independent adjudicator** will be appointed to determine if a perceived conflict of interest exists and if it does, to advise on the appropriate management of the conflict of interest.

4. An independent adjudicator is appointed, and his report concludes that there is no conflict of interest between Mr. William and Kerr Ltd since Mr. William nor his wife have any personal contact with Mr. Jackson and they do not stand to gain from Mr. Jackson's business interest in any way.
5. However, if the conflicts of interest are identified when the evaluation process is too far advanced, the fore mentioned measures may not be able to manage them, and it might be necessary for the Borrower to consider disqualifying Lohan Ltd and Kerr Ltd or in the worst-case scenario, cancelling the procurement process.



For additional information, such as Standard Procurement Documents (SPDs), Guidance, briefing, training and e-learning materials see [www.worldbank.org/procurement](http://www.worldbank.org/procurement)

