

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

**POLICY FOR THE SELECTION AND CONTRACTING OF
CONSULTING FIRMS FOR BANK-EXECUTED
OPERATIONAL WORK
(GN-2765-4)**

Under the Access to Information Policy, this document is subject to Public Disclosure.

TABLE OF CONTENTS

I. Policy Purpose and Definition.....	1
A. Definition	1
II. Policy Scope	1
A. Applicability	1
III. Governing Principles and General Considerations.....	2
A. Principles	2
B. Avoidances of Conflicts of Interest.....	2
C. Eligibility	3
D. IDB Human Resources Restrictions.....	3
E. Prohibited Practices and Integrity Provisions	4
IV. Selection, Contracting, and Supervision Process and Use of Bank's Standard Procurement Documents for Bank-Executed Operational Work ...	6
A. Selection Methods	6
B. Main Elements in the Selection and Contracting Process and Contract Supervision ..	7
C. Use of Bank's Standard Procurement Documents for Bank-executed Operational Work	8
V. Governance.....	8
A. Role and Responsibilities of the Operational Consulting Services Unit (OCSU).....	8
B. Submission of Protests, Stay of Procurement during Protests	9
C. Appeals of Protest Decisions to the Manager	9
D. Right to Debriefing	9
E. Contract Dispute Settlement.....	9
F. Sanctions for Non-Performance and Breach of Contract	10
G. Appeals of Sanctions Decisions for Non-Performance and Breach of Contract.....	10
H. Other provisions	10
VI. Recommendation	11

Abbreviations

CS	Certified Staff
CWE	Complementary Workforce Employees
IDB	Inter-American Development Bank
IFI	International Financial Institution
IIC	Inter-American Investment Corporation
NGO	Nongovernmental Organization
OCSU	Operational Consulting Services Unit
OII	Office of Institutional integrity
PTL	Project Team Leader
REOI	Request for Expressions of Interest
RFP	Request for Proposal
SSS	Single Source Selection

I. Policy Purpose and Definition

- 1.1. The purpose of this document is to establish the Inter-American Development Bank's¹ policy (the Policy) for the selection, contracting and supervision of consulting firms² for **Bank-executed Operational Work** as defined below. This Policy clarifies and streamlines processes, promotes transparency and accountability and reduces reputational risk. It provides a governance structure and platform for integrated solutions for the selection, contracting and management of consulting firms.³

A. Definition

- 1.2. For the purposes of this Policy, **Bank-executed Operational Work** encompasses, among others, non-reimbursable technical cooperation; Project Specific Grants (PSG) for technical assistance, economic and sector work, policy and program work, and special corporate initiatives.
- 1.3. These instruments lead to the contracting of consulting services for the generation of products that support the Bank's development agenda. They entail the contracting of consulting services related to project identification studies; implementation of TCs and PSG technical activities appraisal and due diligence processes; supervision, evaluation, closure and audit services, and "advisory and knowledge services",⁴ among others.

II. Policy Scope

A. Applicability

- 2.1. This Policy shall apply to the selection, contracting and supervision of consulting firms for Bank-executed Operational Work, regardless of the source of financing. The consulting services to which this Policy applies are of an intellectual and advisory nature.
- 2.2. This Policy does not apply to:
 - a. Procurement of goods and related services and purchases or lease of real property directed at meeting the Bank's internal needs, including the procurement of legal counsel for operational and non-operational matters as

¹ For purposes of this Policy, the term "Bank" means the Inter-American Development Bank (IDB), including the Bank's Private Sector Windows (Structured Corporate Finance – SCF; Opportunities for the Majority – OMJ, and the Multilateral Investment Fund - MIF). This Policy does not apply to the Inter-American Investment Corporation (IIC).

² Under this Policy, the term *consulting firm* includes a wide variety of private and public entities, including but not limited to: consulting firms, engineering firms, procurement agents, inspection agents, audit firms, specialized agencies and other multinational organizations including: investment and merchant banks, universities, research institutions, government agencies and nongovernmental organizations (NGOs).

³ An analytical Background Note to the Policy can be found in the Policy document archives.

⁴ This Policy will apply in the case of advisory and knowledge services to the extent provided in document GN-2706-1 (Policy Proposal for Fee-Based Advisory and Knowledge Services at the IDB).

- authorized within the scope of the Corporate Procurement Policy (GN-2303-20), or under any of the specific delegations of authority provided thereunder.
- b. The hiring of individual consultants.⁵
 - c. The procurement of goods and related services, except when such goods and related services are necessary to achieve the objectives of the Bank-executed Operational Work and are included in the consulting services contract and represent less than ten percent (10%) of the consulting services contract value.

III. Governing Principles and General Considerations

A. Principles

- 3.1. The general principles of transparency, fairness and accountability aimed at achieving economy and efficiency govern the application of this Policy. This Policy observes internationally accepted best practices to obtain high quality consulting services.

B. Avoidances of Conflicts of Interest

- 3.2. Consulting firms engaged by the Bank are required to provide professional, objective and impartial advice and hold the Bank's interest paramount, without expectations for future work. In providing such advice, consulting firms must strictly avoid conflicts with other contract assignments or their own corporate interests.
- 3.3. Conflicts of interest might arise when a consulting firm is influenced by considerations unrelated to the assignment. Consulting firms shall not be hired for any assignment that would be in conflict with their previous or current obligations to other clients or that may place them in a position of being unable to carry out the assignment in the best interest of the Bank. A consulting firm may not work simultaneously for the Bank and an outside party with competing interests, without prior written approval from the Operational Consulting Services Unit (OCSU) overseeing the selection and contracting activity (see Section V).
- 3.4. Consulting firms and their sub-consultants shall confirm that they do not have a conflict of interest or the appearance thereof at the submission stage of proposal.⁶ Principals or other members of a consulting firm may not work for the Bank as individual consultant while employed by, or affiliated with, a consulting firm currently contracted by the Bank on directly related up- or downstream assignments.

⁵ Hiring of Individual Consultants follows Human Resources Policies and Procedures (AM-650 Complementary Workforce Employees CWEs).

⁶ The Standard Request for Proposal format will include a specific statement to that effect.

C. Eligibility

- 3.5. To be eligible to be considered for the award of a consulting services contract under this Policy, consulting firms must be from a Bank member country.
- 3.6. Notwithstanding the provision set forth in paragraph 3.5., consulting firms shall be ineligible to be awarded consulting services contracts or to benefit from such contracts financially or in any other manner, if:
 - a. the consulting firm or any parent company, subsidiaries or previous form of organization constituted by, or with, any of the same individual(s) as principal(s), is currently debarred⁷: (1) by the Bank; or (2) by another International Financial Institution (IFI) and recognized by the Bank pursuant to any agreement the Bank may have for the mutual enforcement of sanctions;
 - b. the consulting firm is currently excluded, suspended or debarred by the Budget and Administrative Services Department (BDA) Manager in accordance with the provisions of paragraph 5.12. of this Policy; or
 - c. the consulting firm appears on any sanction list issued by the United Nations.

D. IDB Human Resources Restrictions

- 3.7. **Former Bank Staff.** Former Bank staff may not be hired to work on Bank contracts as a Consulting Firm employee or subcontractor if the former Bank staff member:
 - a. left the service of the Bank with a Special Termination Payment;
 - b. directly and as a principal participated in the project to which the services are related, or
 - c. is subject to any work restriction by virtue of his/her former employment with the Bank.
- 3.8. **Former Bank Contractual Employees or Research Fellows.** Former Bank contractual employees (i.e. complementary workforce employees, consultants, trust fund consultants, associate professionals and research fellows) may not be hired to work on Bank contracts as a Consulting Firm employee or subcontractor if he/she is subject to any work restriction by virtue of his/her former employment with the Bank.
- 3.9. **Relatives of Bank Staff.** Relatives of active Bank staff within and including the fourth degree of consanguinity and the second degree of affinity are not eligible to work onsite or as key personnel on Bank contracts with a Consulting Firm or its subcontractor. The term "Relatives" includes: spouse / domestic partner, mother, father, brother, sister, child, uncle, aunt, nephew, niece, (son-daughter-brother-sister)-in-law, grandparent, grandchild, first cousin, step-(parent-children-brother-sister), (parent or grandparent)-in-law, spouses of brothers-in-law or sisters-in-law, great (grandchild-uncle-aunt-nephew-niece-grandparent) and great-great (grandparent-grandchildren).

⁷ i.e., debarred pursuant to the Bank's Sanctions Procedures relating to Prohibited Practices, described at www.iadb.org/integrity.

E. Prohibited Practices and Integrity Provisions

- 3.10. All consulting firms bidding for or participating in a Bank-financed activity including, their respective employees and agents (irrespective of whether the agency is express or implied), are required to adhere to the highest ethical standards. This requirement extends to any sub-consultants, service providers or suppliers that consulting firms include in their proposal or use during the execution of the contract.
- 3.11. If a consulting firm, its sub-consultants, service providers or suppliers, or any of their respective employees or agents is found to have engaged in a Prohibited Practice in accordance with the Bank's Sanctions Procedures, the consulting firm, its sub-consultants, service providers or suppliers, or any of their respective employees or agents may be sanctioned pursuant thereto. The determination of whether a consulting firm, its sub-consultants, service providers or suppliers, or any of their respective employees or agents might be engaged in a Prohibited Practice and the imposition of any resulting sanctions shall be governed by the Bank's Sanctions Procedures.
- 3.12. In addition, consulting firms, their sub-consultants, service providers or suppliers, or any of their respective employees or agents may be subject to debarment sanctions pursuant to agreements between the Bank and other International Financial Institutions (IFIs) regarding the mutual enforcement of debarment decisions.
- 3.13. Consulting firms, their sub-consultants, service providers and suppliers and all of their respective employees or agents shall report to the Office of Institutional Integrity (OII) of the Bank all suspected Prohibited Practices related to Bank-financed activities of which they have knowledge or of which they become aware during the selection process or throughout the negotiation or execution of a contract⁸.
- 3.14. Prohibited Practices means any corrupt practice, fraudulent practice, coercive practice, collusive practice, obstructive practice, or misappropriation in a Bank-financed activity by parties thereto as such terms are defined below:
 - a. A "*corrupt practice*" is the offering, giving, receiving, or soliciting, directly or indirectly, anything of value to influence improperly the actions of another party;
 - b. 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;
 - c. A "*coercive practice*" 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;

⁸ Information on how to present allegations of Prohibited Practices, the applicable rules regarding the investigation and sanction process and the agreement regulating the mutual recognition of sanctions among the IFIs are available on the Bank's website www.iadb.org/integrity.)

- d. A “*collusive practice*” is an arrangement between two or more parties designed to achieve an improper purpose, including influencing improperly the actions of another party;
 - e. An “*obstructive practice*” is: (1) destroying, falsifying, altering or concealing of evidence material to an IDB Group investigation, or making false statements to investigators with the intent to impede an IDB Group investigation; (2) threatening, harassing or intimidating any party to prevent it from disclosing its knowledge of matters relevant to an IDB Group investigation or from pursuing the investigation; or (3) acts intended to impede the exercise of the IDB Group’s contractual rights of audit or inspection provided for under paragraph 3.16 below or access to information;
 - f. A “*misappropriation*” is the use of IDB Group financing or resources for an improper or unauthorized purpose, committed either intentionally or through reckless disregard.
- 3.15. If the Bank determines that a consulting firm, its sub-consultants, service providers or suppliers, or any of their respective employees or agents may have violated the laws of a country, the Bank may refer the matter to appropriate law enforcement authorities.
- 3.16. The Request for Proposals (RFP) and consulting services contracts governed by this Policy shall include provisions to permit the Bank to inspect any and all accounts, records and other documents related to the preparation and submission of proposals to the Bank and to contract performance, as well as to have such accounts, records and documents audited by auditors appointed by the Bank. Under these provisions, the consulting firm shall fully assist the Bank with its investigation. Further, the consulting firm shall: (i) maintain all documents and records related to the Bank-financed activities for seven (7) years after completion of the work contemplated in the relevant contract; and (ii) require the delivery of any document necessary for the investigation of allegations of Prohibited Practices; and make available employees or agents of the consulting firm or its sub-consultants, sub-contractors, service providers or suppliers with knowledge of the Bank-financed activities to respond to questions from Bank personnel or any properly designated investigator, agent, auditor or consultant relating to the investigation. If the consulting firm, its sub-consultants, service providers or suppliers, or any of their respective employees or agents fails to cooperate and/or comply with the Bank’s requests or otherwise obstructs the Bank’s investigation, the Bank, in its sole discretion, may take appropriate action against the consulting firm, its agents, personnel, sub-consultant, service provider or suppliers.
- 3.17. Consulting firms shall include in the agreements with sub-consultants, service providers or suppliers provisions necessary to notify them of potential sanctions and require them to comply with the requirements in paragraphs 3.11., 3.13. and 3.16.
- 3.18. Prior to the award of any contract, the Hiring Unit shall conduct integrity due diligence, as defined in the Operational Guidelines, on the proposed consulting

- firm. Such due diligence may vary in scope for contracts above a certain threshold amount specified in the Operational Guidelines.
- 3.19. If a consulting firm is found to be listed in a relevant sanction list, as defined in the Operational Guidelines, or otherwise to present integrity or reputational risk, the Bank may determine not to proceed with the award or may require specific mitigation measures. Questions regarding integrity due diligence or the assessment of integrity or reputational risks should be directed to the Office of Institutional Integrity.

IV. Selection, Contracting, and Supervision Process and Use of Bank's Standard Procurement Documents for Bank-Executed Operational Work

A. Selection Methods

- 4.1. This Policy provides for the following selection methods:

1. **Full competitive selection.** This method is a competitive process that takes into account the quality of the proposal and the cost of the services in the selection of the successful firm. The process is being initiated with Expressions of Interest leading to the generation of a short-list of firms that are invited to compete for the assignment. This method is required for the selection of consulting firms when the ensuing contract is estimated to cost US\$250,000 and above or when the assignment is complex (e.g. multidisciplinary feasibility or management studies). When the resulting contract is a Framework Agreement, the selection of firms must be conducted according to this method.

This selection method includes: (a) advertising of a Request for Expressions of Interest (REOI) for a minimum number of calendar days, as specified in the Operational Guidelines; (b) clearance of the Request for Proposals (RFP); and (c) a minimum and uneven number of Evaluation Committee members.

2. **Simplified competitive selection.⁹** This method is an abbreviated competitive process that takes into account the quality of the proposal and the cost of the services in the selection of the successful firm. When the ensuing contract is estimated to cost less than US\$250,000 or when the assignment is simple or standard, this method can be applied. This selection method includes: (a) Advertising of Request for Expressions of Interest (REOI) within a reduced timeframe for contracts between US\$100,000¹⁰ – US\$250,000; (b) clearance of RFP above a contract value threshold determined in the Operational Guidelines; and (c) an Evaluation Committee.

3. **Non-competitive method: Single Source Selection (SSS).** This method does not entail elements of a competitive process. Single-source selection may be appropriate only if it presents a clear advantage over competition and is

⁹ In cases of Bank Private Sector-executed Operational Work when confidentiality is required, the short list may be prepared using an existing consulting firms' data base. Classification of documents produced in this process will follow the provisions of the Bank's Access to Information Policy (GN-1831-28).

¹⁰ For contracts whose value is estimated to cost less than US\$100,000, the advertising of Expressions of Interest is optional.

properly justified: (a) for tasks that represent a natural continuation of previous work carried out by the firm; (b) for small assignments as defined in the Operational Guidelines; (c) in emergency cases, such as in response to disasters and for consulting services required during the period of time immediately following the emergency; (d) when only one firm is qualified or has experience of exceptional worth for the assignment and it presents a clear advantage over competition. The process shall be conducted in accordance with the procedures detailed in the Operational Guidelines. This selection method shall include clearance of the SSS method by Certified Staff¹¹ or by OCSU staff, depending on the contract value, as indicated in the Operational Guidelines.

- 4.2. Contract requirements shall not be artificially divided to avoid the use of competitive selection methods. Possible continuity for downstream work shall be identified in the initial selection process as explained in the Operational Guidelines.

B. Main Elements in the Selection and Contracting Process and Contract Supervision

- 4.3. The selection and contracting process is based on a decentralized structure where Hiring Units¹² throughout the Bank conduct their respective selection and contracting processes and are responsible for drafting, awarding, and supervising the ensuing contracts. This process is led by the Project Team Leader (PTL) of the corresponding Hiring Unit. Details as to the steps and responsibilities during the selection process shall be provided in the Operating Guidelines.
- 4.4. The use of the Bank's electronic selection and management tool shall be mandatory for all selection processes governed by this Policy, once the tool is fully implemented.
- 4.5. In all selection processes, the applicable Bank's Standard Procurement Documents for Bank-executed Operational Work referred to in paragraph 4.8. shall be used.
- 4.6. Contract awards shall be published in accordance with the procedures set forth in the Operational Guidelines.
- 4.7. Upon completion of the services, PTL shall also be responsible for the evaluation of the work performed by the consulting firm, as explained in the Operational Guidelines.

¹¹ Certified Staff refers to Bank staff having received certification by the OCSU, following the successful completion of a training program based on this Policy, its Guidelines and the use of the Bank's electronic selection tool, once the latter is implemented.

¹² For the purposes of this Policy, Hiring Unit means a Bank Department, country office, division, section or unit in the Bank who is selecting and contracting the consulting services.

C. Use of Bank's Standard Procurement Documents for Bank-executed Operational Work

- 4.8. The use of the appropriate Bank's Standard Procurement Documents for Bank-executed Operational Work including Bank's Standard Conditions of Contract and Contract Forms shall be mandatory. An indicative list of such documents is set forth in BDA's webpage.

V. Governance

A. Role and Responsibilities of the Operational Consulting Services Unit (OCSU)

- 5.1. **Oversight and Compliance.** The Operational Consulting Services Unit (OCSU) within the Budget and Administrative Services Department (BDA) is responsible for oversight and compliance of this Policy and its Operational Guidelines.
- 5.2. **Operational Guidelines.** The implementation procedures of this Policy shall be detailed in the Operational Guidelines. The Operational Guidelines provide more detailed information as to: (a) selection methods; (b) general considerations and responsibilities in the selection process; (c) main elements in the selection process (e.g. Terms of Reference, REOI, RFPs, evaluation criteria etc); (d) complementary provisions (e.g. vendor registration, debriefing, contract modification, protests, sanctions, etc.); and (e) type of contracts. Any updates to such Guidelines shall be submitted to and approved by the Operations Policy Committee (OPC).
- 5.3. **Advice to Hiring Units, Training and Preparation of Bank's Standard Procurement Documents for Bank-executed Operational Work.** The OCSU shall provide the advice, clearances, support and training necessary to the Bank's Hiring Units responsible for the selection, contracting and supervision process. The OCSU shall also be responsible for the design of a Certification Program¹³. Additionally, the OCSU shall be charged with the preparation of the Bank's Standard Procurement Documents for Bank-executed Operational Work, referred to in paragraph 4.8. of this Policy. The OCSU shall also assist the Project Team Leaders (PTLs) when they conduct debriefing exercises in accordance with the provisions of paragraph 5.10.
- 5.4. **Contract Disputes and Sanctions.** The OCSU shall also be responsible for preparing all materials and recommendations for the appropriate review and decisions by the BDA Manager in cases where: (a) contract disputes need to be resolved in accordance with paragraph 5.12.; and (b) sanctions of consulting firms, other than for Prohibited Practices, are being considered, in accordance with paragraph 5.13.

¹³ Details pertaining to the Certification Program are set forth in the Operational Guidelines.

B. Submission of Protests, Stay of Procurement during Protests

- 5.5. Protests by actual participants in selection processes governed by this Policy shall be submitted within the timeframe and pursuant to the procedures specified in the Operational Guidelines.
- 5.6. In the event of a timely submission of a protest, the Bank shall not proceed further with the selection process or with the awarding of the contract, unless the BDA Manager, after consultation with the Hiring Unit and the Legal Department, makes a written determination that the award of the contract without delay is necessary to protect substantial interests of the Bank.
- 5.7. **Protest Resolution.** The OCSU shall have the authority to resolve all protests submitted by participants in a selection process. Protest resolutions shall follow the procedures and timeframes set forth in the Operational Guidelines.
- 5.8. If a protest alleges any Prohibited Practice, the OCSU shall refer the matter to the Office of Institutional Integrity. The procurement process shall continue, and the contract may be awarded, unless the winning consulting firm is temporarily suspended in accordance with the Sanction Procedures or is otherwise ineligible.

C. Appeals of Protest Decisions to the Manager

- 5.9. The BDA Manager shall have the authority to resolve appeals of protest resolution decisions taken by the OCSU. The decisions of such Manager with respect to such appeals shall be final. If an appeal to a protest decision alleges a Prohibited Practice, the Manager shall refer the matter to the Office of Institutional Integrity. In such case, the procurement process shall continue, and the contract may be awarded, unless the winning consulting firm is temporarily suspended in accordance with the Sanction Procedures or is otherwise ineligible.

D. Right to Debriefing

- 5.10. After contract award a consulting firm has the right to ascertain from the Bank the grounds on which its proposal was not selected. The purpose of the debriefing is to provide feedback on the firm's proposal so that the firm is in a position in the future to prepare proposals that might better fit the Bank's requirements or that are more competitive in price. Project Team Leaders (PTLs) shall be responsible for carrying out such debriefings in the presence of a representative of the OCSU or a CS. The scope of the debriefing shall be limited to identifying the technical deficiencies or weaknesses of the firm's proposal.

E. Contract Dispute Settlement

- 5.11. The BDA Manager shall have the authority to settle and resolve all contract disputes, including but not limited to claims of breach of contract by a consulting firm against the Bank, in accordance with the dispute resolution procedures set forth in the consulting services contract governing the relationship between the parties.

F. Sanctions for Non-Performance and Breach of Contract

- 5.12. The BDA Manager, after consultation with the Legal Department shall have the authority to sanction a consulting firm, including through debarment or temporary suspension of a consulting firm from consideration for awarding of contracts, conditions on future contracting, reprimand or other sanctions, for nonperformance or breach of contract, upon documentation thereof. Sanctions referred to in this paragraph exclude any sanctions for Prohibited Practices.

G. Appeals of Sanctions Decisions for Non-Performance and Breach of Contract

- 5.13. The Corporate Procurement Committee shall have the authority to resolve appeals of sanction decisions taken by the BDA Manager. The decisions of the Committee with respect to such appeals shall be final.

H. Other provisions

- 5.14. This Policy will become effective upon completion of the following milestones: (a) approval of the Operational Guidelines; (b) establishment of OCSU; (c) preparation of a training / certification program; (d) design and implementation of an electronic selection, contracting and management tool; and (e) preparation of standard bidding documents, contracts, and forms.
- 5.15. As this Policy becomes effective, it will supersede: (a) document DEV/PRM-M-026/2005, dated July 28, 2005; (b) the “Interim Procedures for the Procurement of Goods and Services for Technical Cooperation”, dated November 7, 2011; and (c) the Private Sector’s Procedures related to the “Bank’s contracting of consultancy firms financed with grant resources managed by the Bank” (DEV/PRM-058/06) dated December 29, 2006.
- 5.16. This Policy will be applicable in accordance with the terms and conditions set forth in this document and in the Operational Guidelines¹⁴ to be approved by Management (OPC). The Operational Guidelines will be submitted to the Board of Executive Directors for its information.
- 5.17. To take into consideration end-users’ experience and lessons learned during the implementation of the new Policy, at the end of the third year of application, an evaluation will be conducted. If, as a result of such evaluation, changes need to be made to the Policy, such changes will be submitted for the consideration and approval of the Board of Executive Directors.

¹⁴ Given ongoing discussions on the new vision for the Bank’s Private Sector Windows (i.e. SCF, OMJ, and MIF), the Operational Guidelines shall contain “Interim Procedures for the Contracting of Consulting Firms in Bank-executed Operational Work within the Private Sector Windows”. Management (OPC) may update these procedures as those discussions evolve.

VI. Recommendation¹⁵

- 6.1. Management recommends that the Board of Executive Directors approve the Policy for the Selection and Contracting of Consulting Firms for Bank-executed Operational Work in accordance with the provisions set forth in this document and authorize the President of the Bank or such representative as he shall designate to enter into such agreements and to take such other measures as may be necessary for its implementation.

¹⁵ The approval of this recommendation should be recorded in the corresponding Minutes.