

#ACK CORRUPTION

PROBLEM STATEMENT BRIEF



OPEN CONTRACTING AND TRANSPARENCY IN PUBLIC PROCUREMENT

PUBLIC PROCUREMENT & CORRUPTION

Public procurement happens when governments purchase goods and services from businesses. These deals are extremely vulnerable to corruption due to (1) the sheer number of contracts, (2) large contract amounts, (3) high contract complexity, (4) the breadth of stakeholders and beneficiaries, and (5) a high level of secrecy surrounding some (or in some cases, all) procurement tenders.

OPEN CONTRACTING

Increasing procurement integrity requires making the whole process more open and transparent. The quality and equity of public services can be increased by allowing the public to access detailed information about government tenders and by inviting public feedback. Making bidding free and inviting participation from a wider number of businesses can increase participation. Since everyday citizens benefit from government services and investments, expanding competition and public oversight raises the value for money that citizens and stakeholders receive from public spending.

CURRENT INITIATIVES

Procurement transparency principles have become more popular over the past few decades, most notably through the Open Contracting Partnership (OCP). To date, over 30 national and subnational governments have adopted the OCP's Open Contracting Data Standards (OCDS). These standards both aim to increase transparency and encourage stakeholders (including citizens, private companies, and nonprofits) to compete for and monitor government spending.

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CASE STUDY EXAMPLES

Evidence suggests implementing these principles successfully leads to substantial government savings. For example, in [Colombia](#), an open contracting reform in public school lunch procurement led to savings of 10 to 15 percent and helped end an illicit price-fixing operation.

The [Extractive Industries Transparency Initiative](#) (EITI) has led another successful global endeavor to improve procurement integrity and productivity. Investigative journalists and civil society organizations used EITI data to investigate a questionable license acquisition deal in Liberia and the identity of mining companies in Cameroon. In Madagascar, EITI reporting led to a debate on overdue revenue transfers to localities, prompting an investigation that revealed payments were made to local officials' personal bank accounts. Similarly, EITI reporting in Burkina Faso revealed an illegal \$10 million bonus the government paid to a mining company.

In addition, in late 2021, [Ukraine](#) was recognized as the most transparent country in the world on the [Transparency Index](#), due in part to procurement transparency: over the past decade, Ukraine has transitioned from a mostly paper-based system to an advanced e-government procurement portal ([ProZorro](#)). Furthermore, in partnership with CoST Ukraine, the country's government has developed an advanced online disclosure platform and was on the cusp of full compliance with the Open Contracting for Infrastructure Data Standard (OC4IDS) before the Russian invasion.

By contrast, Sub-Saharan African countries still [lag behind](#) on transparency commitments and implementation. To see, [follow this link](#), use the left-side filters to select Sub-Saharan Africa, and click on scores to view country details.

APPENDIX:

Additional Case Studies

Case Study 1

- [Digital solutions](#) and [e-procurement](#): Digital solutions can facilitate transparency efforts by boosting cost efficiency and accessibility. E-procurement, which includes the electronic publication of contract opportunities, the electronic distribution of tender documents, and the electronic submission of bids, is one such effort. This method can reduce administrative costs, facilitate monitoring of tenders, encourage cross-border competition, and make it easier to detect bid rigging, collusion and other irregularities.
- In Georgia, the introduction of e-procurement has measurable benefits and contributes significantly to the country's long-term development.

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Argentina and Mexico have also both established procurement websites, Argentina Compra and Compranet respectively, that publish relevant regulations, institutional information, procurement statistics, information on past tenders and bidding requirements, and present and past suppliers.

- Countries like South Korea, Georgia, Rwanda, and Estonia have built e-GP systems that increase competition and transparency to reinforce procurement policies. Provisions for meeting the Open Contracting Data Standard are often built into these e-GP systems, ensuring a high degree of transparency and information access.

Case Study 2

- Open Contracting Reforms in Colombia: In 2014, the Colombia Society of Engineers (SCI) began supporting open contracting when they suspected that tender specifications were being tailored to benefit particular bidders. In response to the SCI findings, the government made standard documents mandatory for all state governments in 2019. At the same time, the government updated the country's e-procurement platform, which began to gain users because of the accessible, clear, and standardized documents it provided to bidders and buyers.
- Assessing these reforms with data analytics, the government is already seeing increases in competition and better value-for money for the public. Open contracting has been shown to level the playing field for suppliers, with half of all contractors winning government under the new procurement platform never before participating in public contracting.

PRINCIPLES & BEST PRACTICES:

1. Digital solutions have the potential to improve transparency by making procurement more cost-effective and accessible.
2. E-procurement systems, which minimize government interference, lead to substantial increases in competition and transparency on the identity of contract award winners.
3. AI and Machine Learning can be used as decision support for human managers in procurement, rather than fully automating detection or discretion.
4. Cloud based platforms like Microsoft Azure, AWS, Google Cloud, and others can be powerful tools for extending e-government services to citizens and for reformers to break down data silos.
5. Data quality is essential for utility, including accessible and machine-readable formats and timely publication of data.
6. Anonymous reporting lines are crucial to inform agencies about misconduct.