

An overview of procurement integrity and introduction to opentender.eu

Session 1. Conceptual background

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Implemented by:



Overview of the 3 sessions ahead

1. Conceptual background of procurement integrity

- ▶ Introduction to public procurement corruption
- ▶ Examples of tendering risks

1. Introduction to procurement integrity indicators

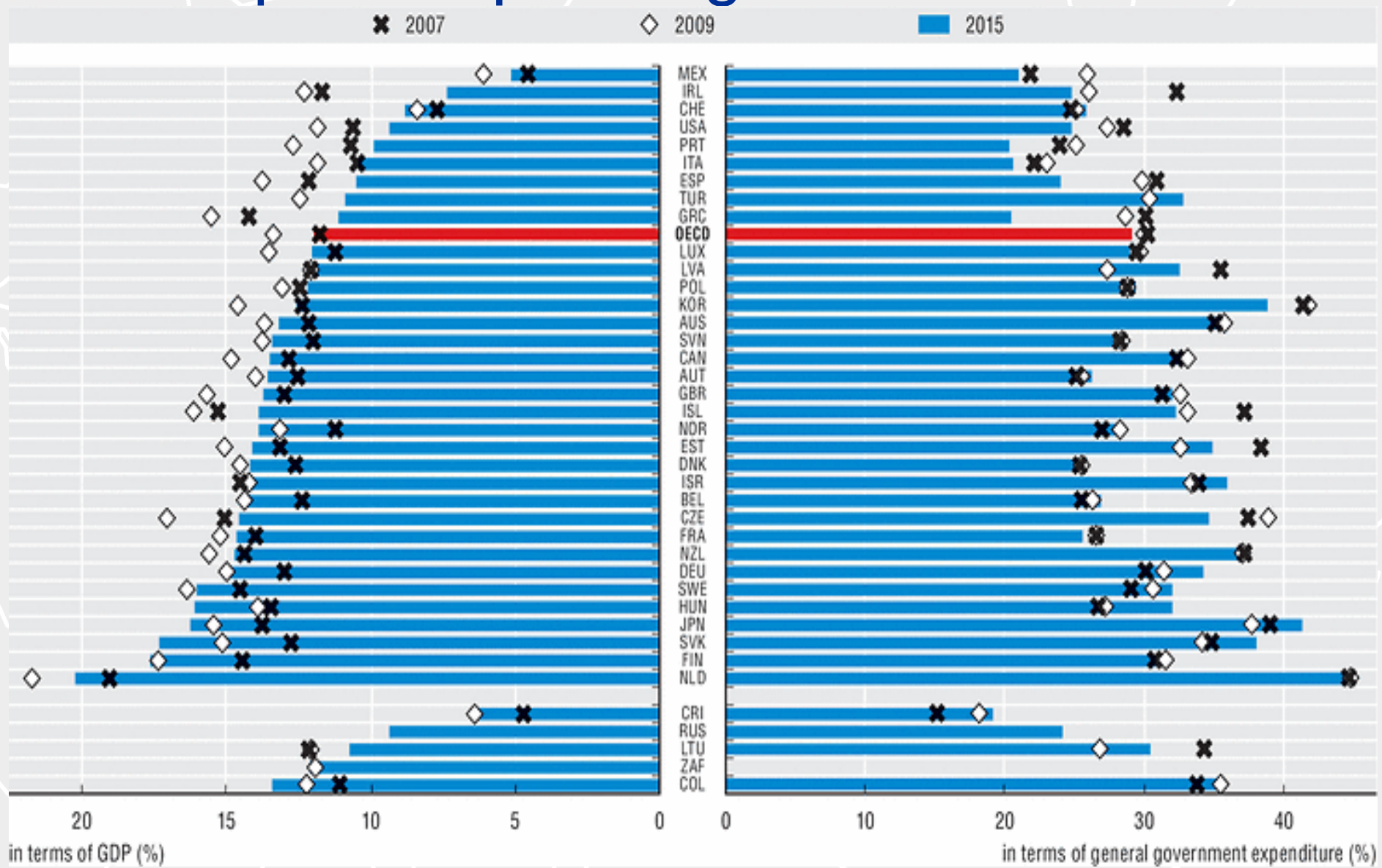
- ▶ Overview of public procurement data
- ▶ Corruption risk indicators in public procurement

2. Applications

- ▶ Introduction to opentender.eu



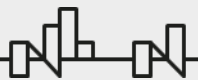
Lots of public spending



Source: OECD: Government at a glance

Corruption definition

„public corruption is the abuse of entrusted public authority for undue private interest.” (Nye 1967: 417).



Specific corruption definition in public procurement

In public procurement, the aim of corruption is to **steer the contract to the favoured bidder without detection**. This is done in a number of ways, including:

- ▶ ***Avoiding competition*** through, e.g., unjustified sole sourcing or direct contract awards.
- ▶ ***Favouring a certain bidder*** by tailoring specifications, sharing inside information, etc.

See: World Bank Integrity Presidency (2009) Fraud and Corruption. Awareness Handbook, World Bank, Washington DC. pp. 7.



Definition in detail

- ▶ What it is NOT:

- ▶ Not necessarily bribery
- ▶ Not only „abuse of public office for private gain”

- ▶ What it IS:

- ▶ Corruption = particularism and restricted access
- ▶ Institutionalised = recurrent, stable, systemic
- ▶ Grand = high-level politics and business

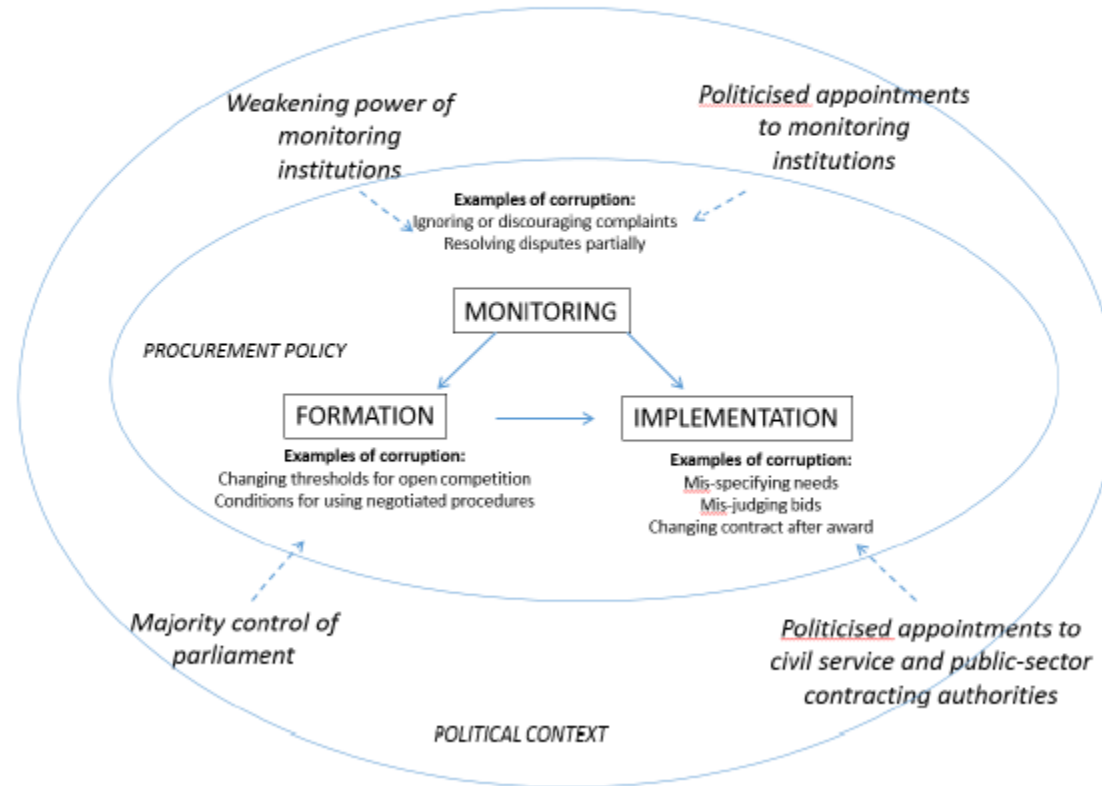
- ▶ Sources:

- ▶ Mungiu-Pippidi, A. (2006). Corruption: Diagnosis and Treatment. *Journal of Democracy*, 17(3), 86–99.
- ▶ Rothstein, B., & Teorell, J. (2008). What Is Quality of Government? A Theory of Impartial Government Institutions. *Governance*, 21(2), 165–190.
- ▶ North, D. C., Wallis, J. J., & Weingast, B. R. (2009). *Violence and Social Orders. A Conceptual Framework for Interpreting Recorded Human History*. Cambridge, UK: Cambridge University Press.
- ▶ Kaufmann, D., & Vicente, P. C. (2005). *Legal Corruption*. World Bank
- ▶ Lambsdorff, J. G. (2007). *The Institutional Economics of Corruption and Reform. Theory, Evidence and Policy*, Cambridge University Press, Cambridge

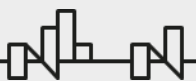


What can be corrupted in public tendering?

Figure 1: Stages of the procurement process at which corruption can occur and modes of political influence over process

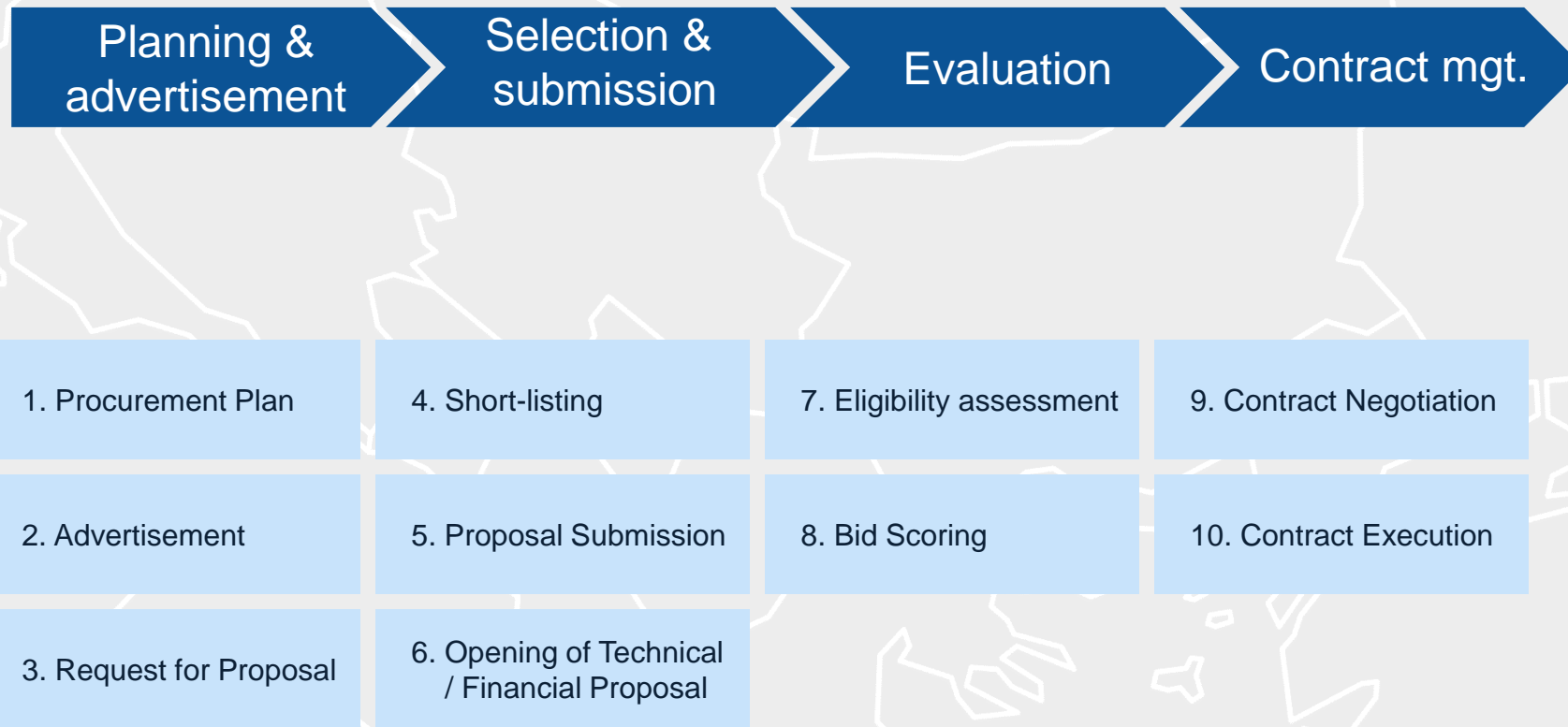


Source: Dávid-Barrett, Elizabeth & Fazekas, Mihály, (2016). Corrupt Contracting: Partisan Favouritism in Public Procurement. ERCAS Working Paper No. 49, Berlin: Hertie School of Governance.



Introduction

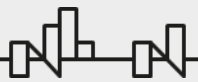
Misconduct generally occurs at the critical decision points in the procurement process



Adapted from IMPPM 2017-Uni Roma Tor Vergata. Integrity module (Agerskov, Fazekas, Piga)



Thank you!



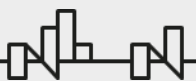
Diverse uses of procurement data analytics

1. Supporting investigations on the contract/organisation/market levels:

- ▶ Initiation (e.g. flagging new cases to investigate)
 - ▶ Selection (e.g. ranking known cases)
 - ▶ Conduct (e.g. exploring selected cases)
- proxy & exact indicators alike

2. Supporting policy reform and policy evaluation:

- ▶ Systemic (e.g. data system)
- ▶ Regulatory (e.g. procedural thresholds)
- ▶ Organisational (e.g. setting different accountability rules)

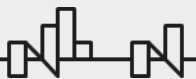


Further resources

<http://www.govtransparency.eu/>

<http://redflags.govtransparency.eu/>

https://www.researchgate.net/profile/Mihaly_Fazekas/research



Selected further readings

- Fazekas, M., & Kocsis, G. (2020). [Uncovering High-Level Corruption: Cross-National Corruption Proxies Using Government Contracting Data](#). *British Journal of Political Science*.
- Bauhr, Monika ; Czibik, Ágnes ; Fine Licht, Jenny ; Fazekas, Mihály. (2019) "[Lights on the Shadows of Public Procurement: Transparency as an Antidote to Corruption](#)." *Governance (Oxford)* 33.3: 495-523.
- Dávid-Barrett, Elizabeth & Fazekas, Mihály (2019), [Grand corruption and government change: an analysis of partisan favoritism in public procurement](#). *European Journal of Criminal Policy and Research*.
- Fazekas, Mihály, (2019) [Single bidding and non-competitive tendering procedures in EU Co-funded Projects](#). European Commission, Brussels.
- Fazekas, Mihály, Ugale, Gavin, and Zhao, Angelina, (2019) [Analytics for Integrity. Data-Driven Approaches for Enhancing Corruption and Fraud Risk Assessments](#). OECD, Paris.
- Fazekas, Mihály ; King, Lawrence Peter. (2018) "[Perils of Development Funding? The Tale of EU Funds and Grand Corruption in Central and Eastern Europe](#)." *Regulation & Governance* 13.3: 405-30.
- Fazekas, Mihály ; Tóth, Bence. (2018) "[The Extent and Cost of Corruption in Transport Infrastructure. New Evidence from Europe](#)." *Transportation Research. Part A, Policy and Practice* 113: 35-54.
- Fazekas, M., Cingolani, L., & Tóth, B. (2016). [A comprehensive review of objective corruption proxies in public procurement: risky actors, transactions, and vehicles of rent extraction](#): GTI-WP/2016:03. Government Transparency Institute. Budapest.

