

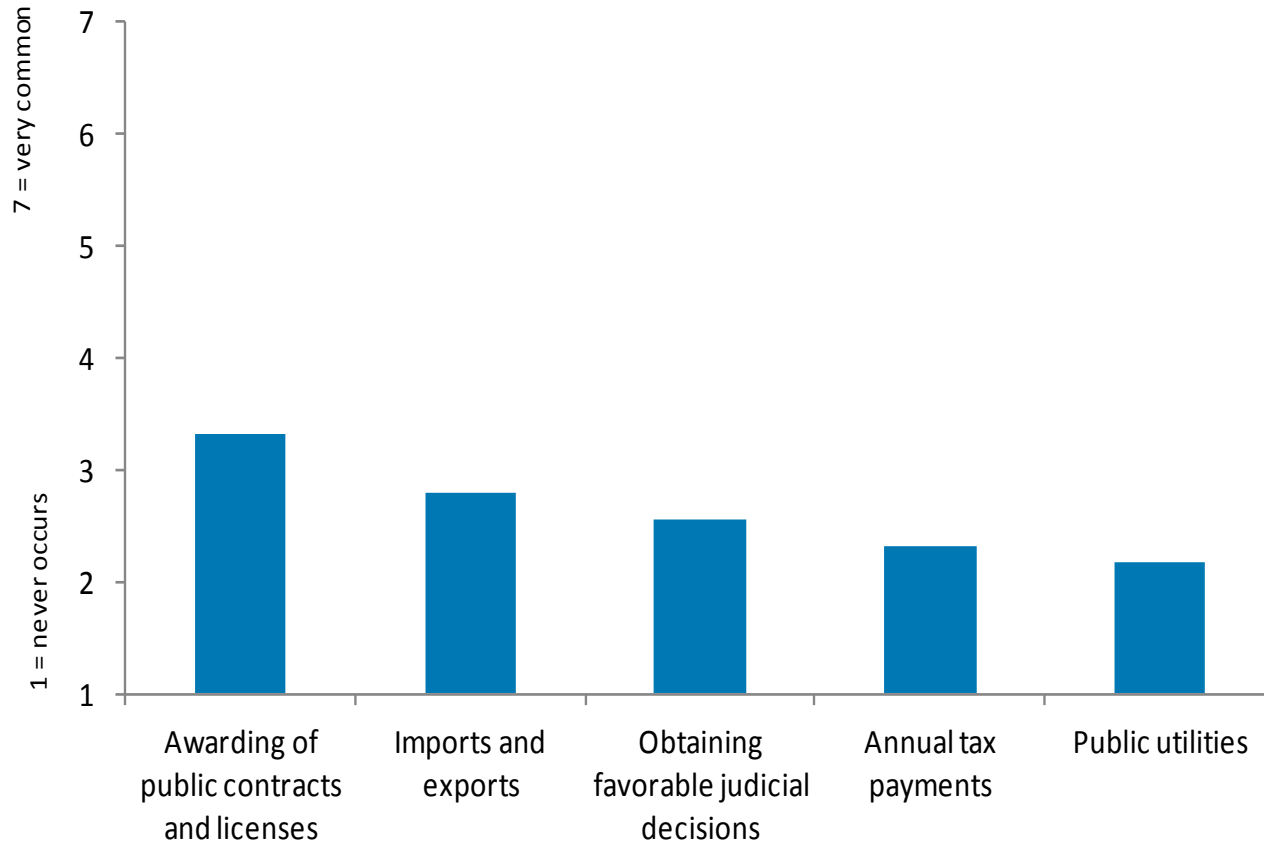


# Integrity risks and risk prevention in public procurement

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# Public procurement is the government activity with the highest perception of bribery risk



Source: 2012-2013 Executive Opinion Survey from the World Economic Forum for the Global Competitiveness Report



## OECD procurement principles and tools

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- Recommendation on Enhancing Integrity in Public Procurement (2008);
- Recommendation on Fighting Bid-Rigging (2012);
- Recommendation on the Environmental Performance of Public Procurement (2002);
- Recommendation on Principles on Public Governance in Public Private Partnerships (2012).

Various tools, including:

- Enhancing Integrity at Each Stage of the Procurement Cycle: a checklist;
- Procurement toolbox;
- Procurement A to Z.



## Recommendation on Enhancing Integrity in Public Procurement

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The core principles are:

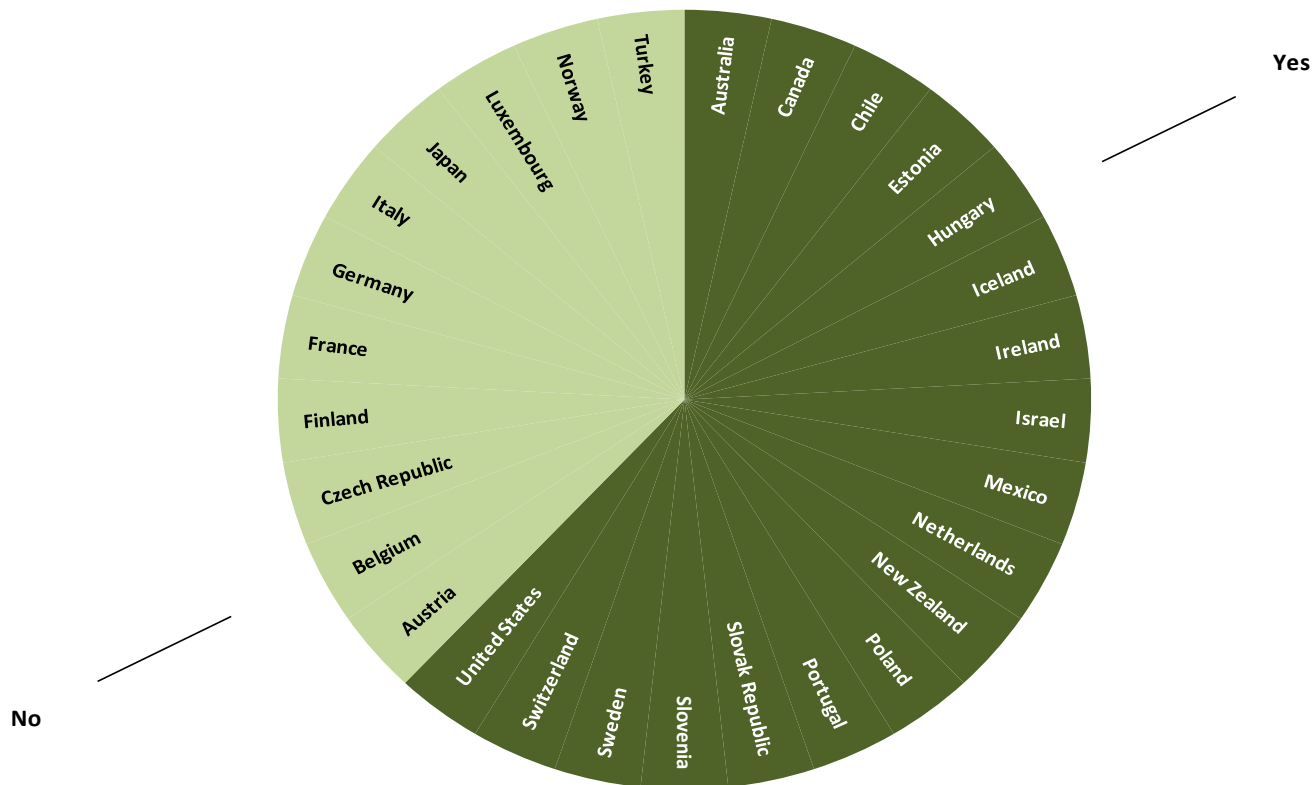
- Transparency;
- Good management;
- Prevention of misconduct; and
- Control.

OECD countries agree with the principles but....



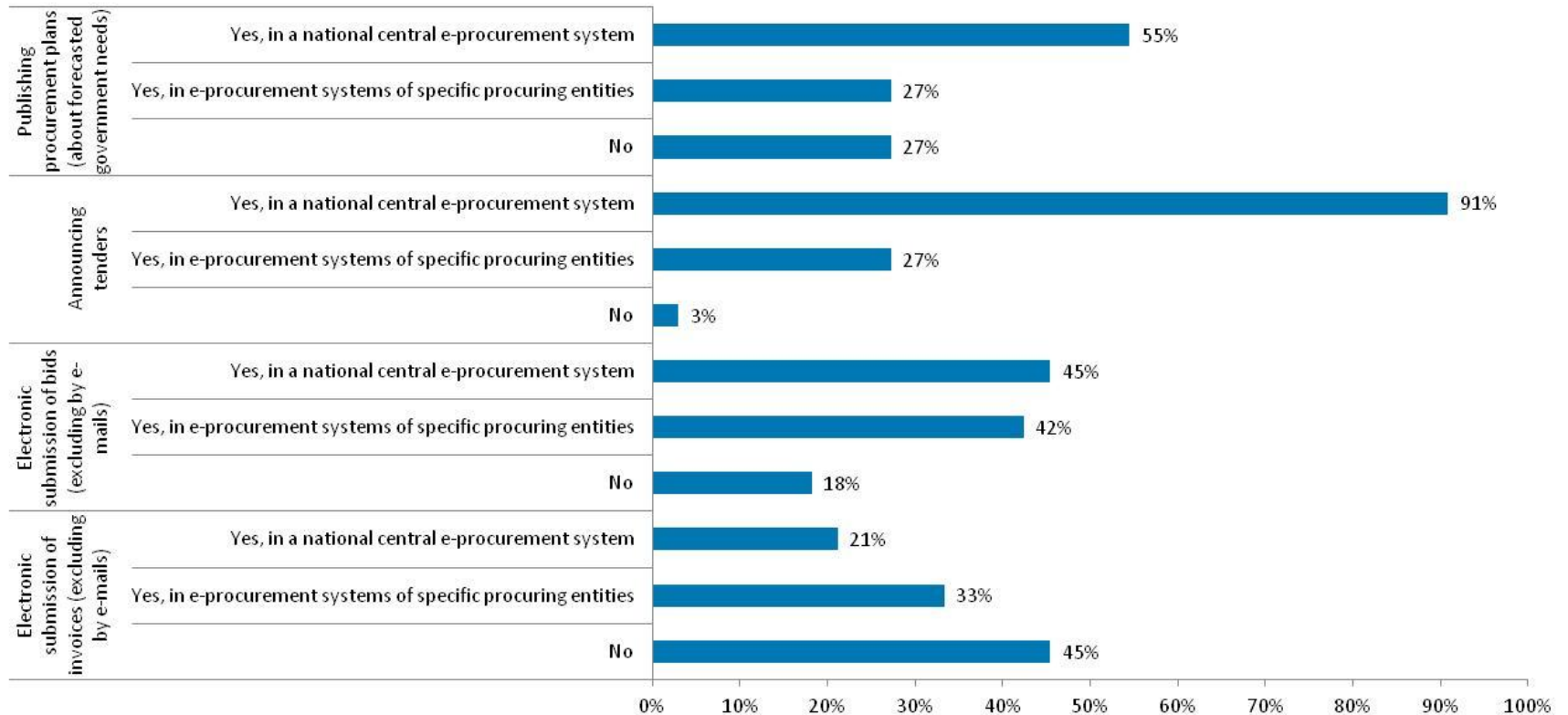
# Lack of professionalisation of procurement workforce puts management of funds at risk

- Over 1/3 of OECD countries do not recognise procurement as a specific profession





# E-procurement systems are not fully developed

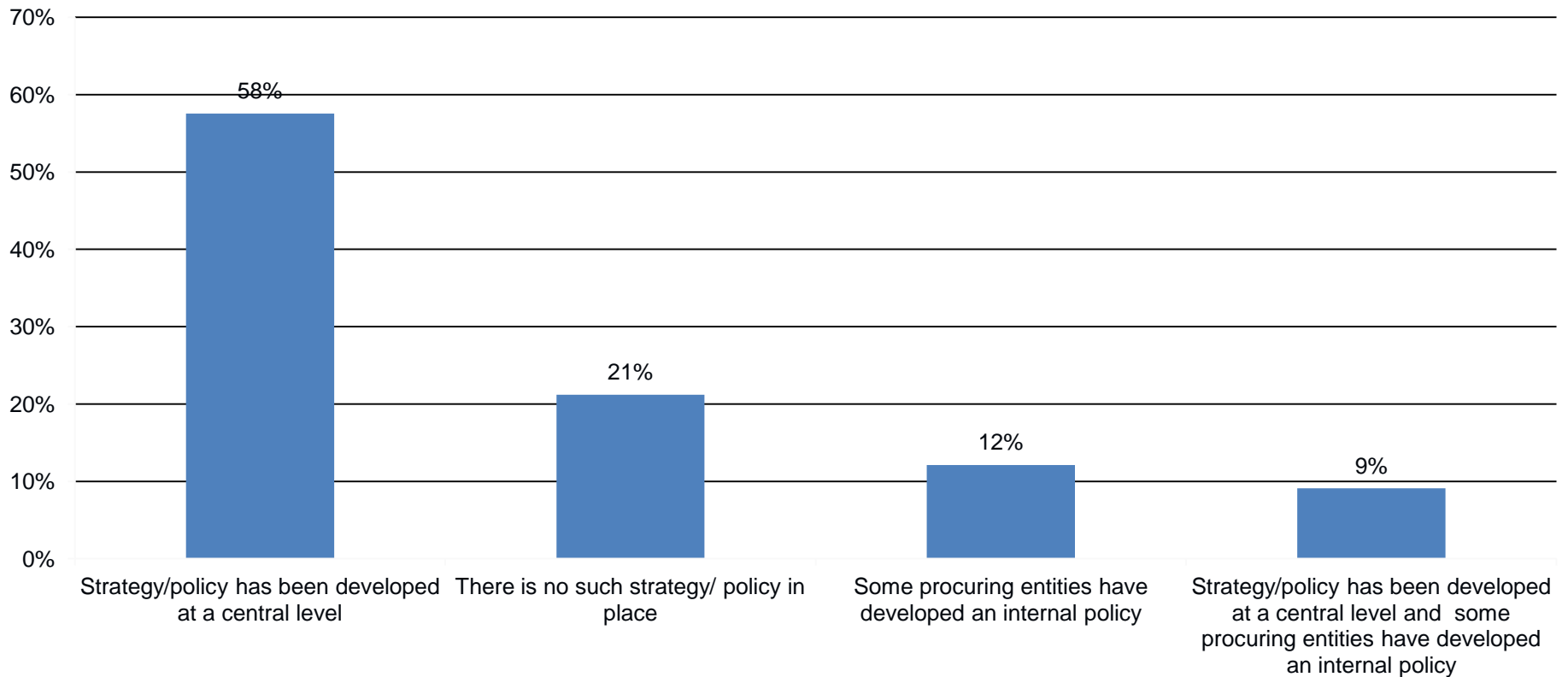


Source: OECD Public Procurement survey 2012

Percentage of responding OECD countries.



# Using procurement to support secondary policy objectives may increase integrity risks



Source: OECD 2012 Survey on Public Procurement



# Procurement integrity risks

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# Integrity risks pre-tendering (1)

## Needs assessment

- Lack of adequate needs assessment
- Influence of external actors or consultants on officials' decisions
- Informal agreement on contract

## Planning and budgeting

- Deficient cases, poor procurement planning
- Procurements not aligned with overall investment decision-making process
- Failure to budget realistically or deficiency in the budget



## Integrity risks pre-tendering (2)

### Definition of requirements

- Technical specifications that are tailored for one company, too vague or not based on performance requirements
- Selection and award criteria that are not clearly and objectively defined, not established in advance
- Licensing of unqualified companies, for example through the provision of fraudulent tests or quality assurance certificates
- Requesting samples of goods that could influence objectivity
- Buying of information by companies as to the project specifications and timetable

### Choice of procedure

- Lack of procurement strategy for the use of non-competitive procedures
- Abuse of non-competitive procedures on the basis of legal exceptions through: contract splitting; abuse of extreme urgency; untested continuation of existing contracts
- Timeframe not consistently applied to all bidders, or timeframe that is insufficient to ensure a level playing field



# Integrity risks - tendering

## Invitation to tender

- Absence of public notice for the invitation to bid
- Award and evaluation criteria that are not announced in advance of the closing of the bid
- Sensitive or non-public information disclosed
- Lack of competition or in some cases collusive bidding

## Evaluation

- Conflict of interest and corruption in the evaluation process (e.g. familiarity with bidders over time, personal interests such as gifts or additional employment, no effective implementation of the "four-eyes" principle, etc.)

## Award

- Conflict of interest and corruption in the approval process (e.g. no effective separation of financial, contractual and project authorities)
- Lack of access to records on the procedure



# Integrity risks – post award

## Contract management

- Abuses of the contractor in performing the contract, in particular in relation to its quality, price and timing:
  - a) substantial change in contract conditions to allow more time and/or higher prices for the bidder
  - b) product substitution or sub-standard work or service not meeting contract specifications
  - c) Theft of new assets before delivery to end-user or before being recorded in the asset register
- Deficient supervision from public officials and/or collusion between contractors and supervising officials
- Subcontractors and partners chosen in a non-transparent way, or not kept accountable

## Order and payment

- Deficient separation of financial duties and/or lack of supervision of public officials leading to:
  - a) False accounting and cost misallocation or cost migration between contracts
  - b) Late payments of invoices
  - c) False or duplicate invoicing for goods and services not supplied and for interim payments in advance of entitlement



# OECD Integrity Framework: What are the tools?

## Integrity measures

- Codes of conduct
- Conflict-of-interest rules
- Financial disclosure requirements
- Gifts and gratuities policy
- Post-employment measures
- Reporting channels and protection for whistle-blowing
- **Targeted integrity (re-)training, accessible advice and counselling**
- Internal integrity actors for co-ordination and external integrity “watchdogs”

## Supporting public management processes

- Access to information law
- Internal financial controls, including cash, asset and debt management
- Public procurement, including pre-tendering, tendering and contract management and payment
- **Human resource management, including recruitment, evaluation and career progression**
- Performance management, including quality control processes and external evaluations
- Internal and external audit, including the monitoring and follow up of recommendations, etc.



# Selected OECD public procurement resources

[www.oecd.org/governance/ethics/](http://www.oecd.org/governance/ethics/)

**OECD Principles for Integrity in Public Procurement**

**Integrity in Public Procurement**  
GOOD PRACTICE FROM A TO Z

**OECD PUBLIC PROCUREMENT REVIEW of the United States Federal Government**

ADVANCE COPY

**OECD Public Governance Reviews**  
**Public Procurement Review of the Mexican Institute of Social Security**  
Enhancing Efficiency and Integrity for Better Health Care HIGHLIGHTS

**Public Procurement for Sustainable and Inclusive Growth**  
Enabling reform through evidence and peer reviews

**Examens de l'OCDE sur la gouvernance publique**  
**Examen de l'OCDE du cadre d'intégrité dans le secteur public en Tunisie**



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# Thank you!

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