An overview of procurement integrity and introduction to opentender.eu

Applications: real life examples and introduction to Opentender

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Implemented by:

Referring back to: Diverse uses to procurement data analytics

▶ Supporting investigation on contract/organisation/market level

  ▶ Initiation (e.g. Flagging new cases to investigate)

  ▶ Selection (e.g. Ranking known cases for better resource allocation)

  ▶ Conduct (e.g. Exploring selected cases, supporting the evidence creation process)

▶ Supporting policy reform and policy evaluation:

  ▶ Systemic (e.g. Time-series comparisons, or finding blind spots in the procurement system)

  ▶ Regulatory (e.g. Integrity outcomes under and above value thresholds)

  ▶ Organisational/sectoral (e.g. setting different accountability rules for different sectors)

▶ Increasing accountability by providing info to citizens, NGOs
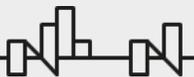
Investigation support I. - Measuring organizational risk in practice

▶ Referring back to the EIB case

  ▶ Risk scores assigned to each of EIB's clients: creating individual 'risk profiles'

  ▶ Shortlist based on data + additional qualitative analysis: the remaining companies are audited by the bank

  ▶ Scope: 1500+ organisations, 500,000+ tenders, 10 tailored red flags (CRI EIB)
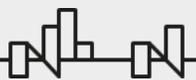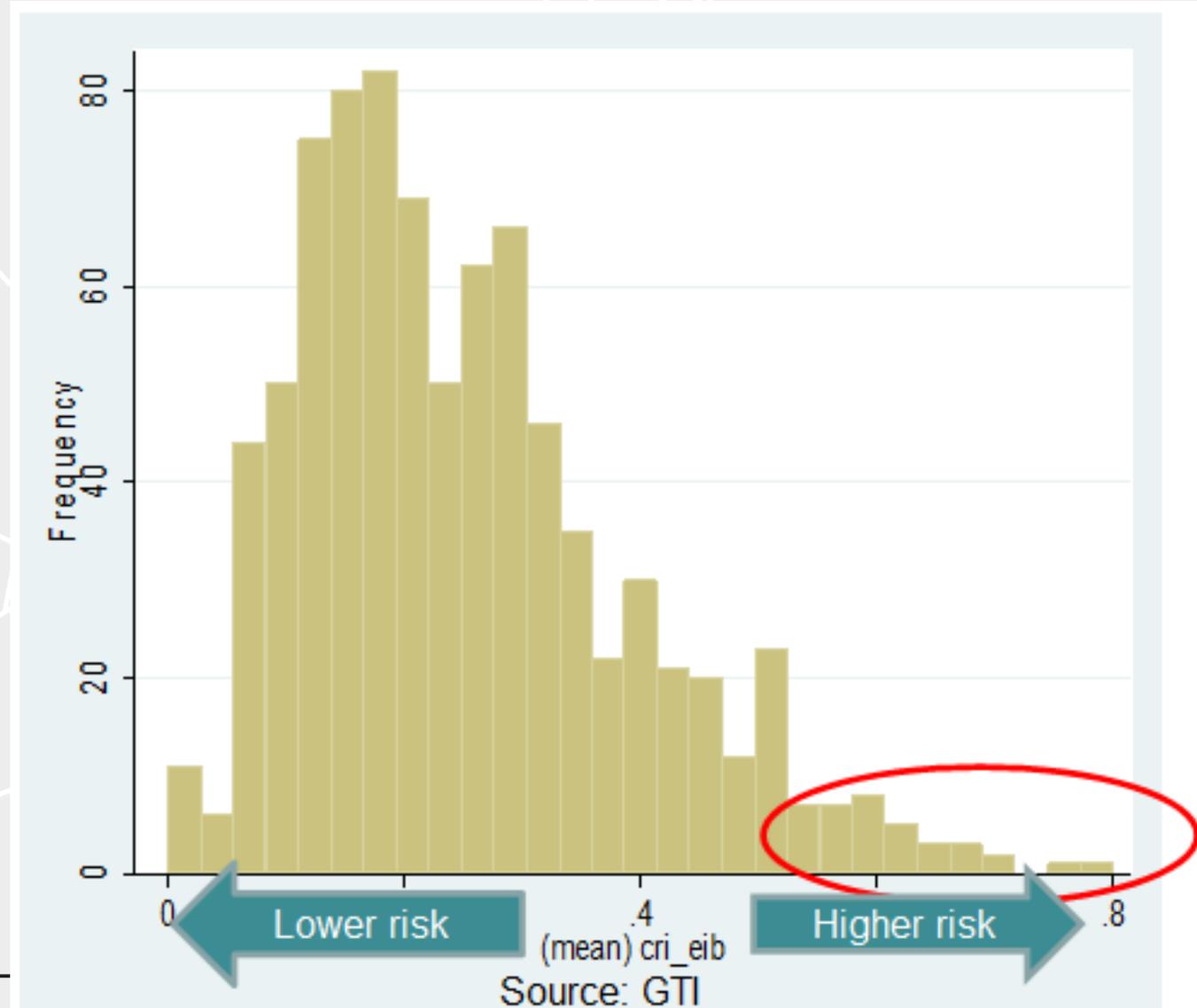
Investigation support II. - State capture in defense procurement

▶ Defence procurement is often prone to corruption due to the:

 ▶ Large amounts of money involved

 ▶ Complex and large contracts,

 ▶ Low number of buyers and suppliers

 ▶ Stable personal relationships in the sector

 ▶ Governments enforce secrecy (due to national security reasons)

▶ Data: limited transparency

 ▶ Tenders Electronic Daily

 ▶ Manually collected data: news articles, parliamentary texts, published FOI results, etc.
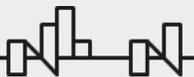
Investigation support II. - State capture in defense procurement

- Method:
  - Using CRI to measure corruption risk of defence procurement contracts in the EU
  - State capture is more than the sum of many corrupt cases. It can be clustered around certain institutions, companies, markets. Well-established, longterm relationships.
  - We used network analysis to explore patterns in public procurement with corruption risk.
  - Going deeper by field research (desk research, interviews) in case studies.

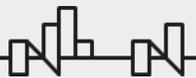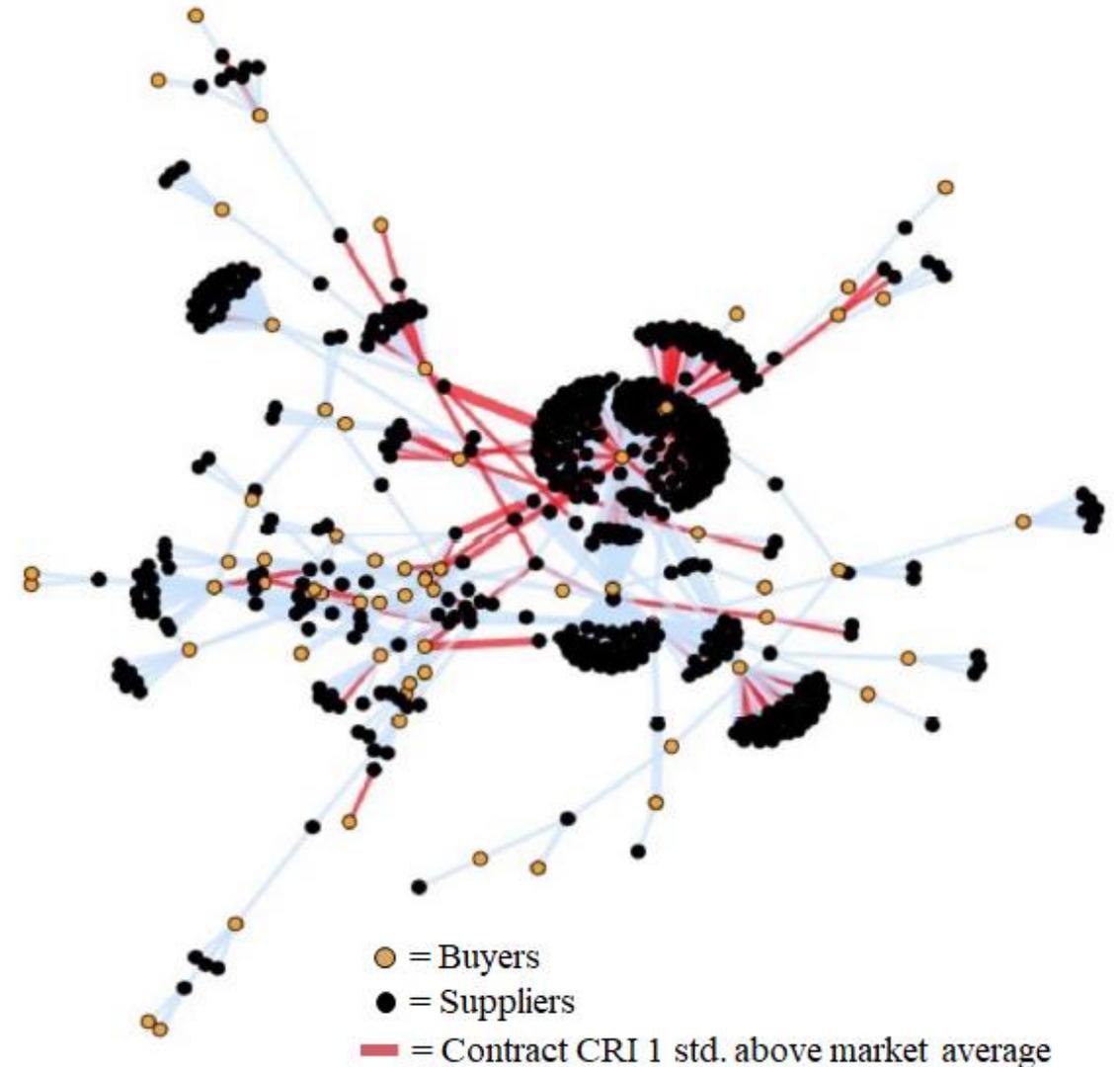# Investigation support II. - State capture in defense procurement

▶ Findings:

  ▶ In most defence procurement markets, corruption risks are not random, but rather clustered around the relationships of specific buyers and suppliers

  ▶ In some countries (NL, DE, FI, SI,), corruption risk is more prevalent in the centre of the market, on other countries (GR, PT, EE) corruption risk is more prevalent in the periphery of the market.

  ▶ This can help us to focus on actors who are more likely to participate in corrupt tenders

# Investigation support II. - State capture in defense procurement

- ▶ Yellow dots: buyers

- ▶ Black dots: suppliers

- ▶ Red edges: contracts with above-market CRI

- ▶ Clusters with many red edges to be investigated in more detail

German defense procurement network

○ = Buyers
● = Suppliers
▬ = Contract CRI 1 std. above market average

Investigation support II. - State capture in defense procurement

▶ A tool for publishing the collected data and providing network analysis functions: Defence EI-vis

▶ 'Elastic visualisation'

▶ http://defence.tenders.exposed/
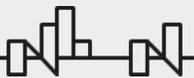
# Supporting policy reform - PP Publication threshold in Poland

▶ Below the threshold buyers can use national procurement rules, above it they have to comply with European regulations which are more strict

Number of tenders around the EU publication threshold in 2010-2011 (left) and 2012-2013 (right) – Services, local government, Poland
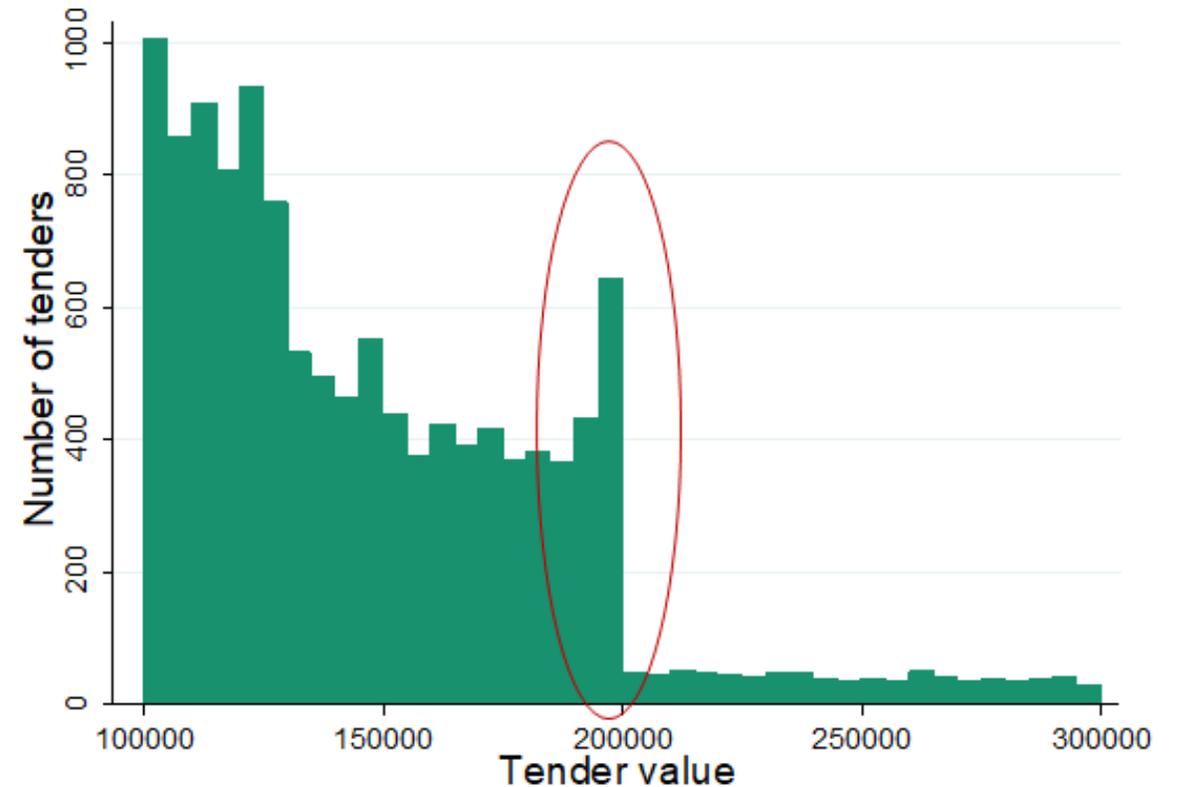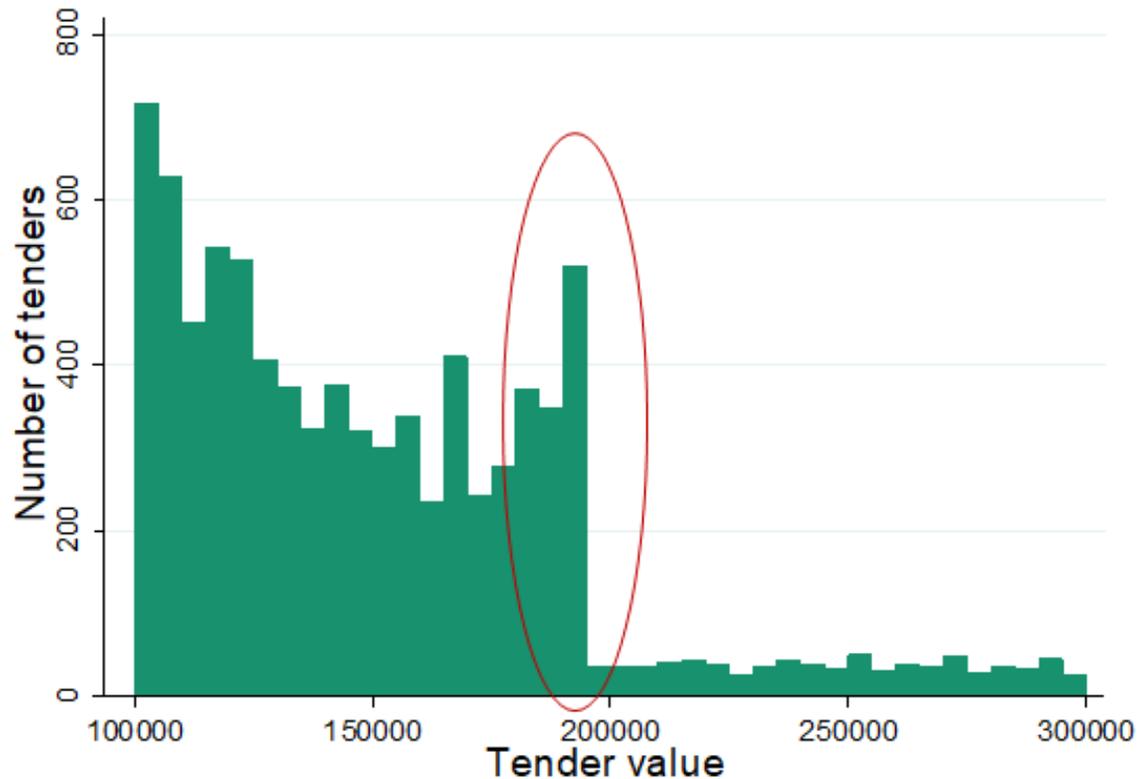
Supporting policy reform - PP Publication threshold in Poland

▶ Potential contract slicing. Not necessarily a sign of corruption but:

   ▶ single bidding decreases above the threshold

   ▶ single bidder tenders, on average, are more expensive than tenders with multiple competing bidders.

   ▶ This could cause significant losses to the Polish budget.

   ▶ Results can support a policy/regulatory reform.
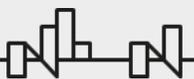
IMF Corruption Cost Tracker

Dashboard goals

▶ Identify and quantify corruption risks in public procurement

▶ Quantify the financial cost of corruption risks

▶ Inform anti-corruption policies based on over-pricing & corruption risk scenarios

Corruption risk indicators

- Widely applicable indicators selected
- Validity testing in all 5 countries (statistical modelling)
- Some parameters differ country by country, but indicators capture the same underlying risky behaviors
- Simple composite score (CRI) with equal weights for categorical risk indicators (0-1), largely comparable across countries (some indicators are more frequent than others)

Indicator group	Red flag	GE	PY	ID	RO	UG
Tendering risk	Non-open procedure type	x	x	x	x	x
Tendering risk	Lack of call for tender publication	x	x	x	x	x
Tendering risk	Short bid submission period	x	x	x	x	x
Tendering risk	Length of decision period	x	x	x	x	x
Tendering risk	Single bidder contract	x	x	x	x	x
Supplier risk	Supplier registered in tax haven	x			x	
Supplier risk	Spending concentration (by organisation, by year)	x	x	x	x	x

CRI distributions

Different country risk profiles

CRI	Mean	Standard deviation	10th Percentile	90th Percentile
Uganda	0.52	0.18	0.26	0.75
Georgia	0.39	0.17	0.17	0.60
Paraguay	0.31	0.16	0.14	0.44
Indonesia	0.28	0.13	0.10	0.50
Romania	0.19	0.22	0.00	0.80

Corruption risks & overpriced projects
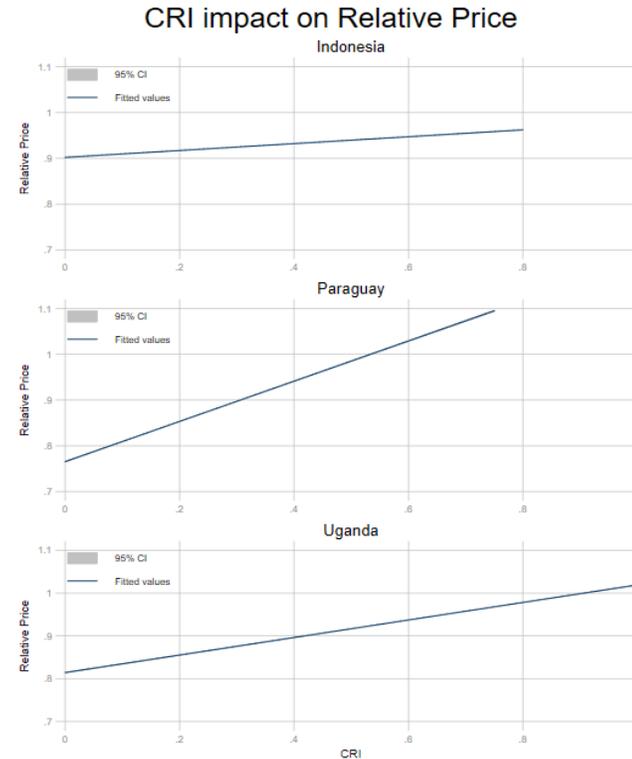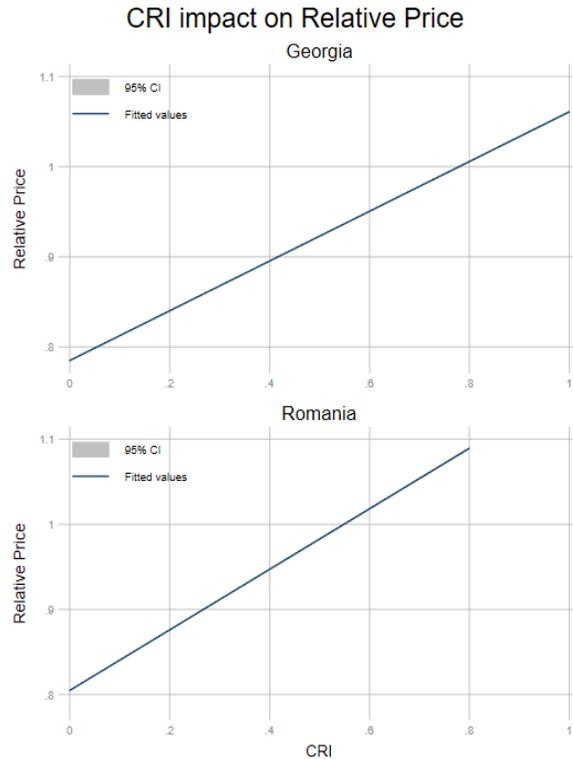
- **Tip of the iceberg**: relative prices at contract award

- OLS:

Relative contract value= B0 + B1*corruption risk score + B2*institutional and market controls + ε

- DV: contract value / reference price (cost overruns are not tracked)
- Controlling for: Year, contract value, main market, Buyer location, buyer type
- Linear prediction: change in relative prices when CRI increases from 0 (no risk) to 1 (maximum risk)
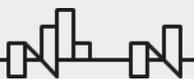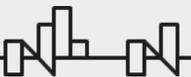
Tableau dashboard

- ▶ Landing page: country selection

- ▶ Corruption risks mapping

- ▶ Spending composition: aligned with macro stats!

- ▶ Losses to corruption

- ▶ Savings scenarios

https://public.tableau.com/profile/gti1940#!/vizhome/Corruptioninpublicprocurement/Overviewofcountries?publish=yes

Opentender: https://opentender.eu/

▶ An output of the DIGIWHIST project: EU Horizon 2020 funded project (2015-2018) bringing together six European research institutes.

▶ GTI maintaines the portal since then.

▶ Re-publishing European public procurement contracts on an easy-to-use portal, complemented with

   ▶ figures, aggregated statistics,

   ▶ integrity and transparency risk indicators that help understanding the data better.

▶ Public procurement data (TED and national datasets) + company registry data
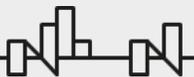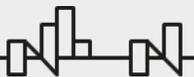
Opentender – Countries covered
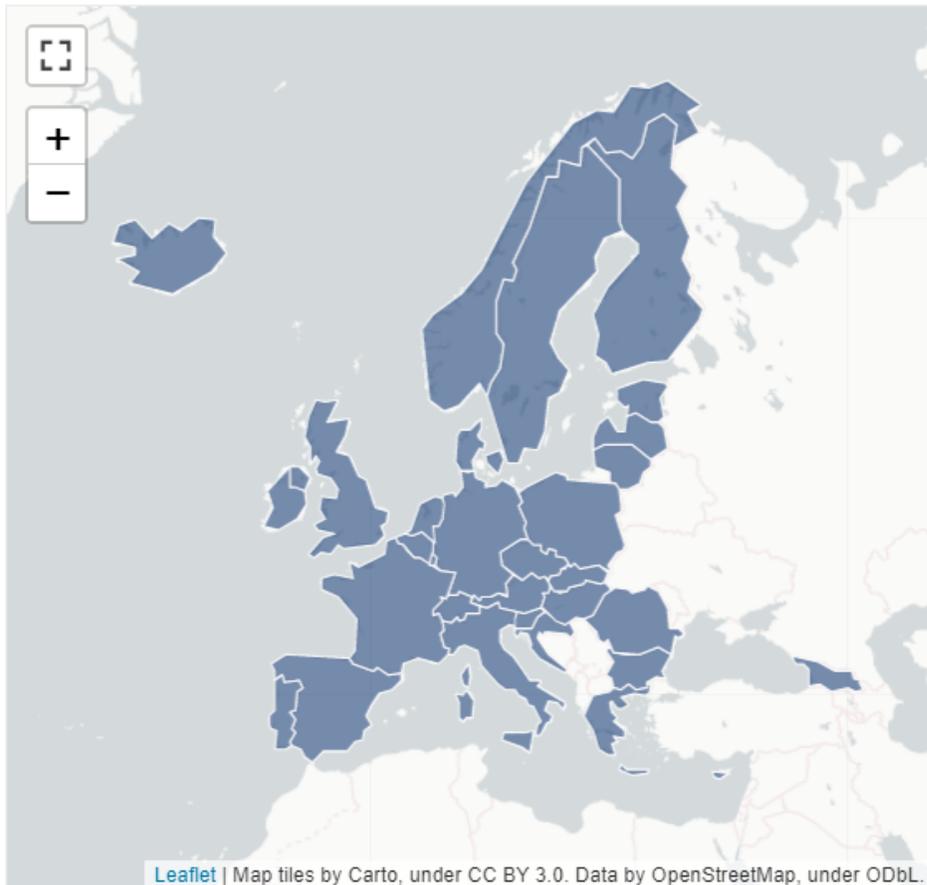
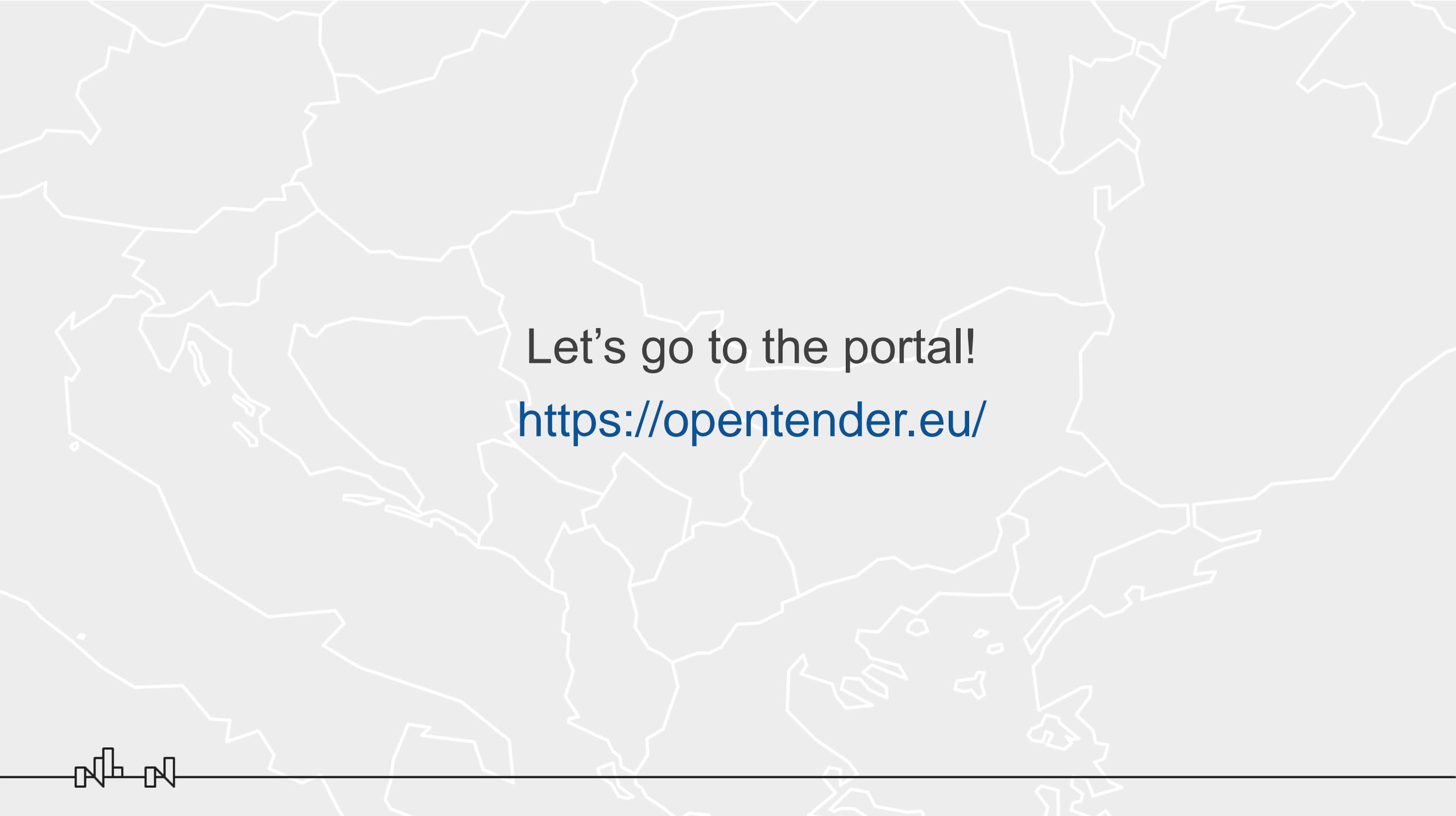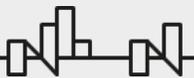|	Nr. of Tenders		
Austria	74 235	Italy	5,6 Million
Belgium	92 598	Latvia	124 239
Bulgaria	140 120	Lithuania	185 223
Croatia	233 299	Luxembourg	7 569
Cyprus	7 841	Malta	5 625
Czech Republic	245 545	Netherlands	116 876
Denmark	43 983	Norway	245 563
Estonia	77 517	Poland	2,5 Million
EU Institutions	18 988	Portugal	798 267
Finland	56 926	Romania	12,7 Million
France	2,6 Million	Slovakia	137 825
Georgia	282 212	Slovenia	123 545
Germany	447 096	Spain	704 943
Greece	55 392	Sweden	110 468
Hungary	187 750	Switzerland	97 549
Iceland	2 456	United Kingdom	427 954
Ireland	117 612		

Planned improvements during the EEA project

▶ Additional data collection in the target countries of the project

  ▶ Serbia, North Macedonia ongoing

  ▶ Albania on hold, waiting for feedback

  ▶ Montenegro, Bosnia and Herzegovina: ?

▶ Integrating the newly collected data into Opentender if possible

▶ Adding extra functions, filtering options based on user feedback of the last years

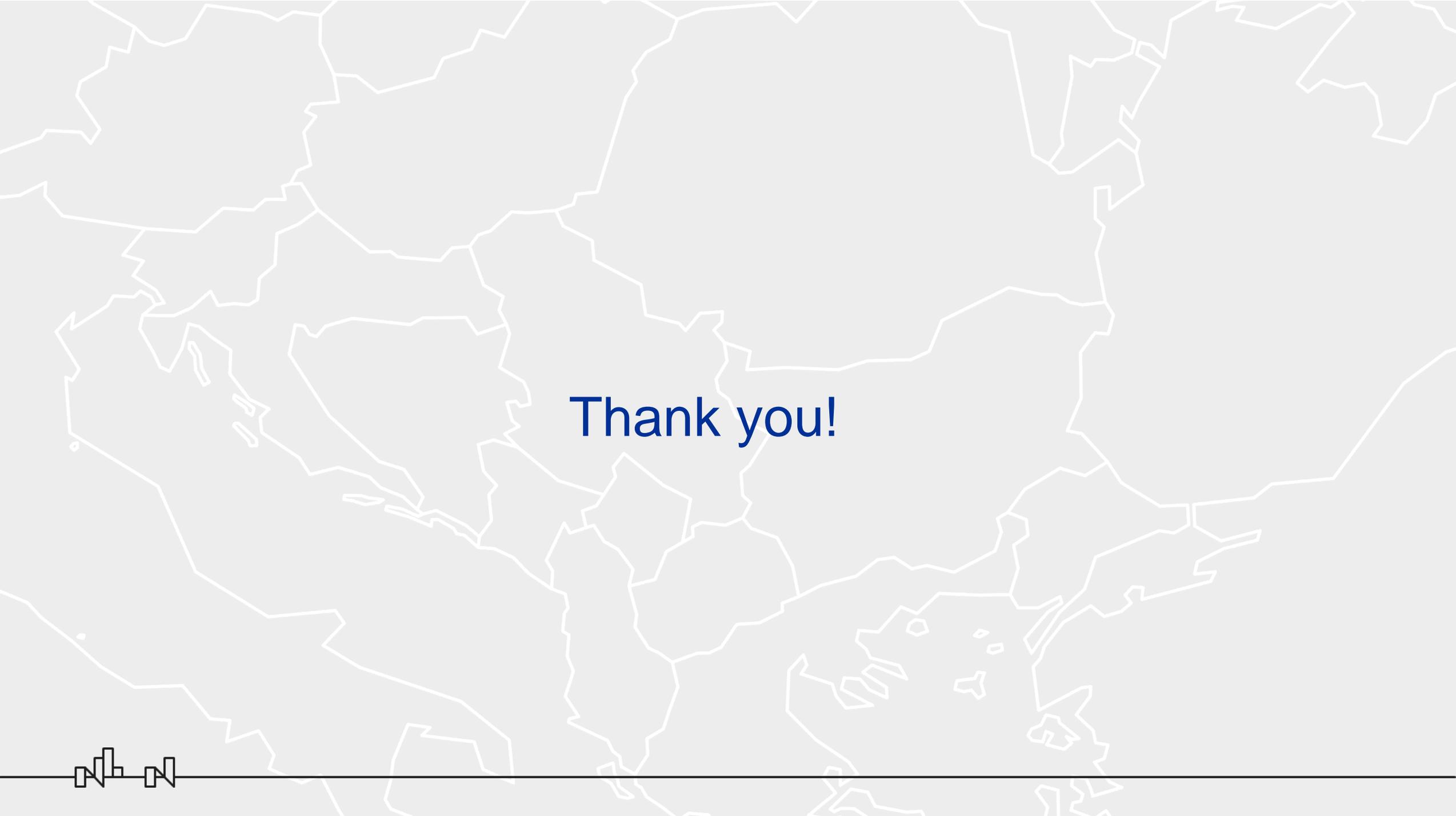▶ More userfriendly and modern design

▶ Improving performance

Suggestions are welcome during and after this training!

Let's go to the portal!

https://opentender.eu/

Thank you!