



Summit for Democracy Financial Transparency and Integrity (FTI) Cohort

Considerations for Governments Working Alongside Civil Society on Procurement Transparency and Integrity

Procurement is a critical tool for government service delivery across all sectors. It accounts for one in three dollars spent by governments and underpins the democratic covenant between decision-makers and citizens. The scale of the money and the discretion involved means that government officials are rightly expected to manage public resources prudently on behalf of the people. When citizens can see how public funds are spent, they can verify whether officials are truly acting in the public interest; if resources are misappropriated, they can hold leaders accountable.

The following considerations are based on contributions from FTI Cohort participants during a February 2023 spotlight meeting on improving integrity and trust in public procurement and implementing open and better public contracting to reduce corruption risks in procurement. The text contains limited additions from the cohort co-leads to extrapolate certain policy and technical issues and to introduce relevant statistics.

I. Effective procurement that maximizes service delivery to citizens and reduces opportunities for corruption depends on several key characteristics

Effective procurement should include having a clear, strong legal framework promoting the key principles of integrity, transparency, efficiency, accessibility, fairness, and competition, potentially with a single rulebook or piece of legislation to prevent fragmented oversight. There should be a competent and professional procurement workforce that does not fear retribution for acting in the public interest, with digital systems capable of keeping track of the paperwork and of monitoring the large number of transactions involved in procurement (which could include public dashboards and data to share information openly and efficiently). Additional considerations include clear monitoring and accountability provisions that allow redress and challenge of unfair procurement practices, and motivated and knowledgeable data users in civil society and the media.

Key policy questions:

- Is there a single, coherent, overarching piece of legislation or regulations that govern central government level procurement? If not, is such legislation or are such regulations feasible?
- Is the procurement regime governed by clear principles of integrity, transparency, efficiency, accessibility, fairness and competition, informed by international standards and best practices? How are these operationalized by procurement professionals?
- Does the government have a specific professional track for procurement staff? Is there a certification or credentialing regime in place? Does the government employ merit-based hiring for procurement professionals? Is there a system for monitoring and managing actual and perceived conflicts of interest?
- Who regulates and oversees the procurement marketplace, and what mandate do they have to intervene to address poor practices? Do they have sufficient independence to effectively fulfill this mandate?
- Are measures to prevent and counter corruption in procurement strong at both the national and sub-national levels? If not, what could be done to improve performance across all public bodies and levels and ensure uniform implementation and better coordination?

2. Data and risk management is needed throughout the procurement cycle

Procurement follows a cycle of delivery (planning, tender/solicitation, award, contract management, project management, monitoring, and implementation) each of which carries a risk of corruption. Interoperable and accessible data across the whole procurement cycle can help enable more effective oversight, push for officials to act responsibly, reduce opportunities for collusion, improve competition, and promote value for money. Segregation of duties within the procurement cycle should be implemented to optimize integrity and ensure the ultimate checks and balances are in place. Unless integrity risks across the whole procurement cycle are addressed, procurement can easily be steered toward favored suppliers.

Open data standards, such as the Open Contracting Data Standard, can help to align and connect information across the whole cycle of procurement and drive better procurement outcomes. Standardized data on public procurement can generate insights and analysis across government departments and other bodies to monitor the health of the public procurement market, levels of competition, and where corruption risks may occur. Machine-readable data that is integrated into e-procurement systems can highlight risks in real time and allow for their early mitigation.

These systems, when functioning correctly, should reveal red flags—indicators of a risk or irregularity that could be caused by corruption, fraud, poor management, or weak processes. Red flags may be assessed for patterns that could signal where there may be malfeasance, where more training is needed to improve outcomes, and/or where better supplier engagement is needed to encourage a higher number of competitive bids.

Key policy questions:

- How are risks identified and mitigated across different stages of the procurement cycle? Are there certain stages that would benefit from enhanced transparency?
- What data is being collected at different stages in the procurement process (from tender/solicitation to implementation)? How are these types of data being combined and analyzed, and what trends do they reveal? How much of the data is accessible to the public? Where and how?
- What data governance and data quality management approach does the government have in place? Is procurement data of a high standard? Is it machine readable, structured, and formatted in a way that allows it to be easily incorporated into programming interfaces? Is it regularly updated and accessible in a timely manner free of charge? Does the data give enough information for it to be meaningful? Is it reusable and license-free?
- Is there a clear methodology in place to identify red flags in public procurement, and is the right data being collected to accurately monitor priority criteria? Is there a mechanism in place to ensure a single individual is not performing all functions in the procurement cycle?
- How is the government using its oversight and data to understand common patterns leading to suboptimal procurement outcomes, and feeding those insights back into reform efforts?

3. Reducing corruption in procurement should harness the combined strengths of government, business, civil society, journalists, and the public

A wide number of stakeholders can play a role in monitoring, regulating, and providing oversight of procurement processes to ensure they are free from corruption or manipulation. Given the scale involved, reform and monitoring of integrity risks in public procurement can be much stronger if governments are supported by external actors. Transparency and better data on procurement can enable and empower the whole of society—citizens, media, academia, parliaments/congress, audit institutions, regulators, NGOs, and the private sector—to identify signs of corruption and advocate for solutions.

Procurement corruption is a visible and relatable topic. Stories examining the misuse of public resources or other malfeasance in the procurement cycle can quickly go viral, sparking national conversations that can lead to systemic and lasting change. Civil society organizations and businesses can play a vital role in this process by advocating for accountability and generating ideas about effective reforms to enhance integrity in procurement.

Key policy questions:

- What role do procurement regulators, anti-corruption commissions, auditors, and other government actors play in monitoring procurement processes and ensuring they are free from corruption? How can governments ensure the feedback and insights from these bodies are acted on for better procurement integrity?
- Considering the various functions that non-government actors can play (e.g., as watchdogs or as cooperative partners), how is information and feedback conveyed to procurement officials and other relevant oversight authorities? Are these communications effective?
- Are there sufficient protections in place for nongovernmental representatives to investigate and report on procurement corruption?
- What can be done to enhance the uptake of data, expertise, and critical feedback from non-government actors?
- Are there regular forums for feedback and engagement with key stakeholders around procurement?

4. An effective and transparent procurement complaints mechanism is important for building public trust

A well-designed procurement system should have an independent complaints and redress mechanism that allows anyone to report violations of rules or to flag where processes may have been flawed or biased.

Complaints should be independently investigated and acted upon in clear timeframes and the results publicly reported. Complaint and redress mechanisms should be digitized where feasible and permit anonymous reporting. Ideally, upheld complaints should result in corrective actions—which could include overturning and re-competing a tender and/or prohibiting persons and entities implicated in corrupt schemes from participating in future procurement opportunities. A visibly effective complaints process helps instill confidence in the integrity of the procurement system and can generate a virtuous cycle that reduces corruption, enhances compliance, and reinforces expectations of honest behavior and fair treatment among those involved in procurement to encourage more suppliers to bid. Indeed, a [World Bank survey](#) of 34,000 companies in 88 countries found that competition was higher and kickbacks were fewer and smaller in places where transparent procurement, independent complaint procedures, and external auditing are in place.

Key policy questions:

- What procedures are in place to deal with complaints? Do these procedures cover all the phases of the procurement cycle?
- Are reviews and investigations of complaints completed in a timely manner? During this process, are public funds associated with a suspicious procurement procedure sufficiently protected from embezzlement or theft?
- Where there is evidence of criminal wrongdoing, is there a procedure for alerting and sharing information with law enforcement authorities? Are parties who file or review complaints able to maintain the type of information that would be useful to law enforcement?
- Is there an effective mechanism that would disable firms who have engaged in defined unethical or illegal practices from benefiting from contracting opportunities?

5. Integrity and transparency boost economic growth by enabling healthy competition and delivering better value for money

There is a large, and growing, body of evidence demonstrating that improving integrity in public procurement is a valuable investment closely linked to other key aspirations for government, including economic opportunity, innovation, and improved outcomes for citizens from limited public resources. Returns on investment can be enormous. Better digitized and more transparent electronic procurement systems have been identified as one of the twelve best investments that a government can make to achieve the UN's Sustainable Development Goals, delivering a 50:1 return on investment in small economies, and up to 100:1 for larger economies.

Key policy questions:

- For countries launching procurement system reforms, what are the sectors for which there is the strongest business case for transparency? Could these sectors serve as pilots for a broader set of open contracting reforms? For sectors for which transparency may not be appropriate, what other accountability mechanisms may be applicable to ensure fair procurement processes?
- How can private sector interest in procurement transparency be harnessed to improve open and fairer public contracting? How can businesses that are positively inclined toward open procurement act as advocates for reform?
- For sectors in which there is low support for procurement transparency, what concerns or issues are inhibiting their support?

6. Strong procurement safeguards help governments respond more effectively to emergency situations

Emergency situations—such as pandemics, natural disasters, or armed conflicts—generate unique corruption risks. Compelled to act quickly to protect the well-being of citizens, government authorities will increase public expenditures, purchasing large quantities of vital goods and services on a compressed timeline. Ex ante oversight procedures may be simplified, suspended, or bypassed to deliver these goods and services as rapidly as possible to people in need. Meanwhile, the strain on human resources and technical infrastructure during times of crisis further weakens the monitoring of procurements. These conditions tend to entice corrupt actors to engage in diversion, embezzlement, or fraud, notwithstanding the potentially life-or-death consequences for the people they are stealing from.

A key lesson from the COVID-19 pandemic was that countries that had already embarked on open contracting reforms—with good data, sufficient oversight, and strong collaboration with citizens and businesses—were better placed to guard against pandemic-related corruption and responded more effectively to the emergency. Buyers and suppliers were able to better connect in a very fragmented and turbulent marketplace, and authorities were able to meet citizen demands for accountability over public spending. People were able to see the difference in prices for masks and protective equipment, and this public visibility helped to maximize value for money and reduce corruption risk. The experience helped to mainstream the importance of open data, and transparency and integrity in procurement across the population, rather than being the niche preserve of a few specialists. It started a conversation that led the way to more reforms to strengthen integrity and accountability for procurement.

Key policy questions:

- What safeguards are in place to ensure the integrity of procurement during times of emergency, natural disaster, or other crises? If the procurement system is not currently

resilient enough to prevent and counter corruption during those situations, what practical, fit-for-purpose measures can be introduced?

- What lessons learned from the pandemic-related procurements should be incorporated into policy and practice?
- Apart from the COVID-19 pandemic, are there other resonant case studies in your country that can be used to demonstrate the benefits of open contracting to make it understandable to a wide audience?

7. Open contracting data can deliver even more powerful impacts when combined with beneficial ownership data

Beneficial ownership information can be important and useful for conducting effective due diligence in procurement to allow the government to understand who it is ultimately doing business with. For instance, it can help raise red flags by identifying connections between companies bidding for public contracts and government officials or decision-makers who may be politically exposed persons (PEPs) and who may have a personal or private financial interest in the contract. This information can also help identify and assess ethical, criminal, environmental, or illicit activity in the track record of companies bidding for public contracts. Beneficial ownership information may also be compared with procurement suspension or debarment lists to ensure that entities are not able to circumvent sanctions or administrative penalties for past corrupt procurement behavior by registering their entity under a new name and competing for tender/contract opportunities.

Key policy questions:

- Is beneficial ownership information made available in a timely manner to those involved in government procurement processes, and how/where? If not, what is needed in terms of legislation, regulations, technologies and/or operating procedures to ensure beneficial ownership data is accessible and used?
- Can beneficial ownership information be structured and formatted in a way that makes it easy to integrate with procurement-related systems? Can other important databases, such as those for PEPs and asset disclosures, also be easily integrated into procurement officers' screening and analytics systems?
- How can beneficial ownership information help identify red flags in procurement screening systems? Can information systems be created to help identify potential conflicts of interest or inappropriate ownership relationships?
- How are these red flags evaluated and investigated once they have been raised, and how is this information used to inform decision making and oversight throughout the procurement process?

8. The long-term benefits of opening public procurement data will outweigh short-term setbacks

It is natural to feel concerned when opening up procurement data, particularly if a government is unsure of the scale of its potential corruption problem. Some may question whether transparency might even be harmful to public trust if the scale of corruption is large. However, avoiding transparency could worsen outcomes if, when irregularities eventually come to light, those governments are seen as either condoning poor practices or incapable of addressing them, leading to an even deeper erosion of public confidence. By contrast, disillusionment is resolved by demonstrating successes in exposing and tackling corrupt schemes, creating relatable stories that show how transparency leads to complaints, which lead to prosecution and ultimately lasting reforms. Discussions around corruption should be accompanied by discussions about responses and, if necessary, reforms to enable a better system.

Key policy questions:

- For countries undertaking procurement reform, how are the results being communicated to the public?
- Do government actors have communications strategies that enable them to “stay the course” on anti-corruption reforms in the event of a procurement scandal? Can reforms be sustained even after the scandal subsides?
- What roles can civil society, government, the private sector, and other relevant stakeholders play in counteracting disillusionment?

Additional Resources

There is a wide variety of publicly accessible resources that are available to assist those seeking to enhance procurement transparency. A number of Summit for Democracy governments and authorities are Parties to the World Trade Organization Agreement on Government Procurement and maintain obligations on transparency beyond those considered in this paper. While not necessarily carrying the endorsement of the FTI cohort co-leads, the following documents provide additional information and analysis pertaining to some of the key considerations outlined above, which could guide further thinking on this topic.

- FTI Cohort: “[Considerations for Governments Working Alongside Civil Society on the Implementation of Beneficial Ownership Transparency](#)”
- G20: “[Principles for Promoting Integrity in Public Procurement](#)”
- Infrastructure Transparency Initiative (COST): “[Resources - Guidance](#)”
- Methodology for Assessing Procurement Systems (MAPS) Initiative: “[Methodology](#)”
- Open Contracting Partnership: “[Open Contracting Data Standard](#)”
- Open Contracting Partnership: “[Open Contracting Legislative Guidance](#)”
- Open Government Partnership: “[Broken Links: Open Data to Advance Accountability and Combat Corruption](#)”
- Open Government Partnership: “[A Guide to Open Government and the Coronavirus: Public Procurement, 28 April 2020](#)”
- Open Government Partnership: “[Open Contracting and Public Procurement](#)”
- Open Ownership: “[Beneficial ownership data in procurement](#)”
- Organisation for Economic Co-operation and Development, Observatory of Public Sector Innovation: “[eProcurement System Prozorro](#)”
- Organisation for Economic Co-operation and Development: “[OECD Principles for Integrity in Public Procurement](#)”
- Organisation for Economic Co-operation and Development: “[Recommendation of the Council on Public Procurement](#)”
- Organisation for Economic Co-operation and Development: “[Toolbox: Transparency](#)”
- Transparency International: “[Public Procurement During States of Emergency: Minimum Requirements to Ensure the Integrity of Contracts Awarded During Crises](#)”
- [UNCITRAL Model Law on Public Procurement](#)
- [UN Convention Against Corruption, Chapter II, Article 9](#)
- UN Office of Drugs and Crime, Conference of the States Parties to the United Nations Convention against Corruption, Open-ended Intergovernmental Working Group on the Prevention of Corruption: “[Good practices in the prevention of corruption in public procurement \(CAC/COSP/WG.4/2010/3\)](#)”
- UN Office of Drugs and Crime: “[Guidebook on anti-corruption in public procurement and the management of public finances](#)”
- World Trade Organization: [Agreement on Government Procurement](#) and additional resources on [government procurement](#) published by the WTO