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Eliminating corruption in public procurement with technology and citizens engagement

Case Study from Kazakhstan

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Agenda

- Main challenges

 in public procurement of Kazakhstan
- Transformation objectives
 for the Committee of the Internal Public Audit of the Ministry of Finance of the Republic of Kazakhstan
- Implementation
 Methodology, Data, Architecture
- Demo
 of the real life red flags dashboards
- Results and impact

It is essential to spend tax-payers money efficiently Principles: value for money, transparency, competitive tendering

- **US\$ 10B** are spent annually for public procurement by the government, which is **6%** of Kazakh GDP
- 10-20% of total costs estimation of bribery in public procurement.
- 55% of all corruption crimes are committed in the field of public procurement.



Non-competitive procurement led to overpricing of goods Lack of transparency in procurement entails corruption risks

- Up to **20%** estimated loss from single sourced procurements*
- **62%** share of non-competitive public procurements in Kazakhstan
- **US\$ 470 million** estimated annual losses to the state budget of Kazakhstan due to non-competitive public procurements



There are too many procurements

Auditors are unable to check them all for compliance

- **18,383** state bodies
- **80,000+** suppliers
- **3M+** procurement plan items annually
- **1.5M+** contracts concluded annually





Transformation objectives

Automatic red flags identification Focusing the attention of auditors on riskiest procurements

Preventive measures

Checking risky public procurements preemptively to make corrective actions in due time

3,000,000 procurements



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130,000 red flags



IMPLEMENTATION

Methodology, Data, Apps



Methodology for spotting Red Flags in Public Procurement

43 red flags on all stages from planning to contracting

Pre-tendering



- Overvalued estimates
- Undervalued estimates
- Affiliated entities
- Exclusive rights
- Errors
- Unrealistic deadlines
- ...

Tendering phase



- Collusion
- Splitting-up contracts
- Unreasonable qualification requirements
- Unreasonable restriction of competition
- Lack of information
- ...

Post-tendering

- Transactions with shell companies
- Transactions with entities affiliated with customer's decisionmaker
- Unreasonable changes to the terms of the contract
- Unrealistically fast contract execution

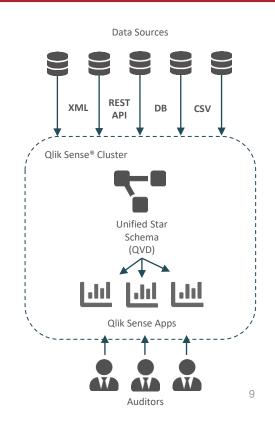
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Data used

Over 100M rows updated daily from 5 data sources

- Public procurement data
 Plan elements, tenders, contracts, customers, suppliers, etc.
- Payment data
 From government customers to suppliers
- Tax data
 Of all Kazakh legal entities
- Certificates of Origin
 Of goods "Made in Kazakhstan"
- Banned suppliers
 Prohibited from participating in procurement

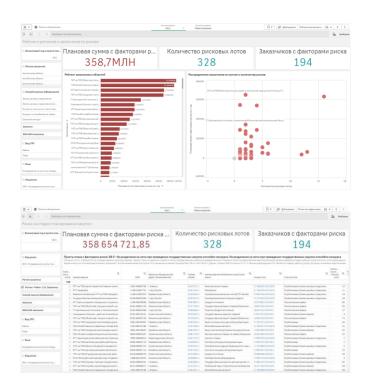


Dashboards

DEMO

For Red Flags identification and processing

- Each App contains the list of risky procurements with all necessary details to make decision and take actions
- Assignment of a responsible auditor and tracking the status of each red flag
- Automatic generation of auditors' prescription drafts based on document templates





Results and impact Of the first 6 months of the project

- 132K items with risk factors were identified
- US\$ 305M in financial violations were identified
- 70% of red flags were identified at the planning stage
- 1,685 procurement officers were brought to disciplinary responsibility
- 90 cases were transferred to law enforcement agencies
- US\$ 86M of taxpayer's money has been saved











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