

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



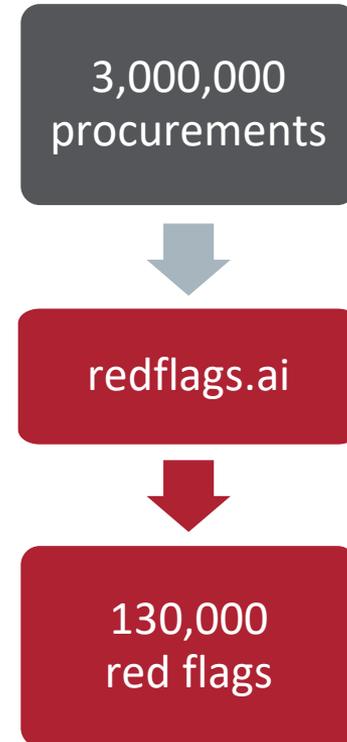
Transformation objectives

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

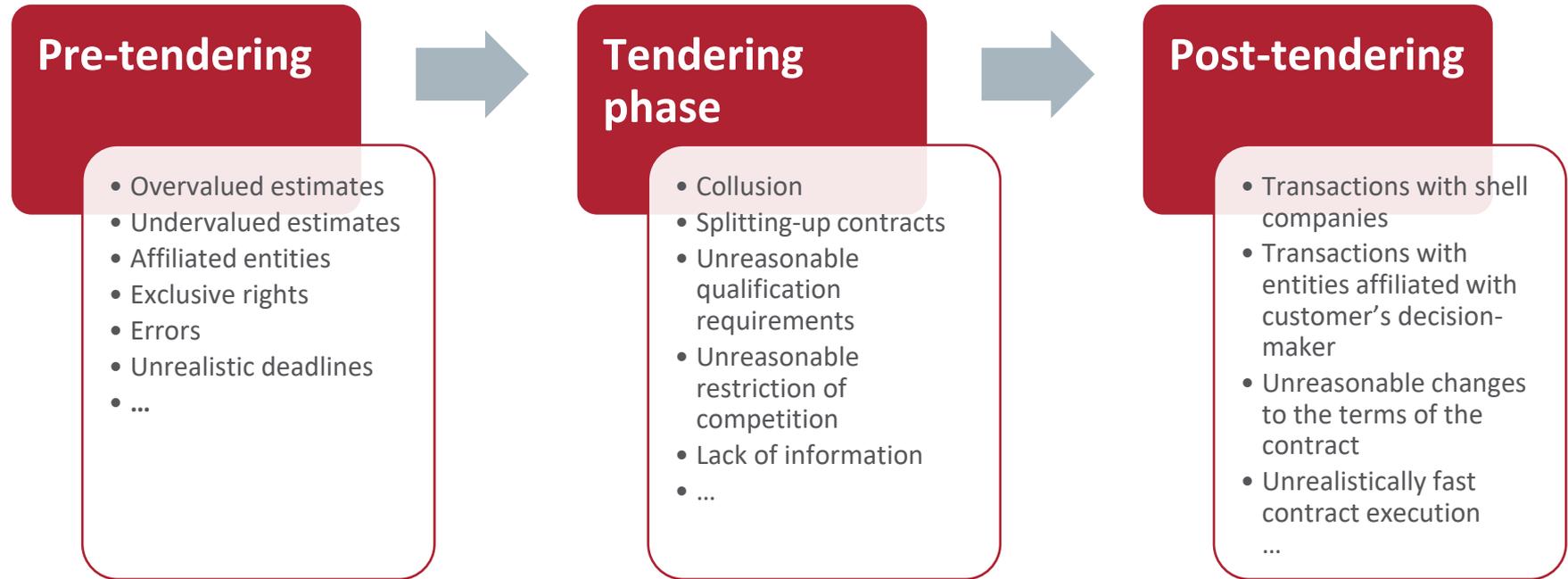


IMPLEMENTATION

Methodology, Data, Apps

Methodology for spotting Red Flags in Public Procurement

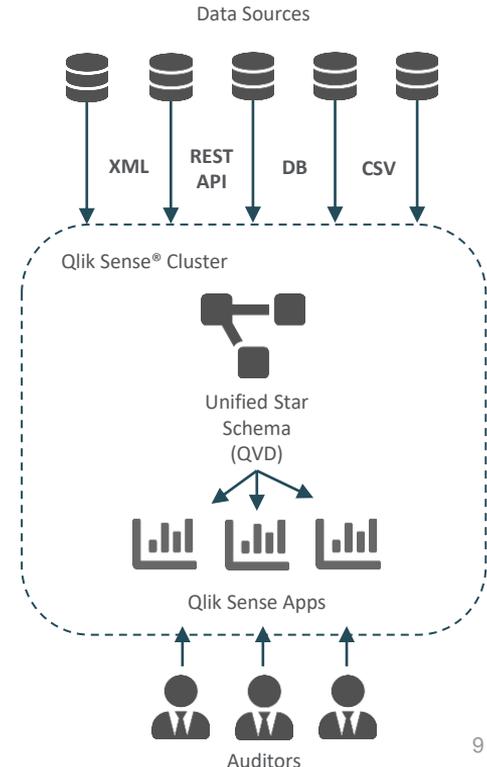
43 red flags on all stages from planning to contracting



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

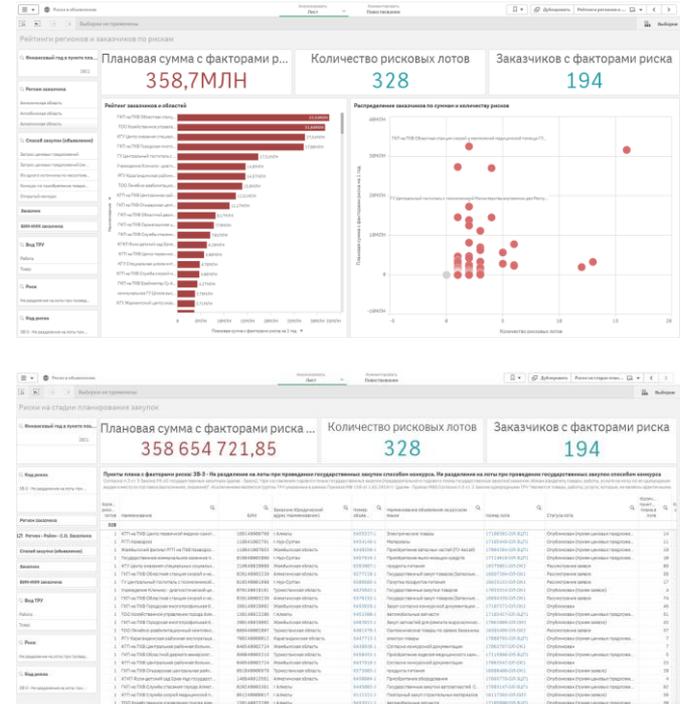


Dashboards

For Red Flags identification and processing

DEMO

- 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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