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# Public Integrity Network

## Preventing Corruption in Public Procurement

Astana

### The UNDP Guidebook- An Overview Session 3

#### Managing Integrity Risks in Public Procurement

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Peder Blomberg

UNDP Consultant

# Rationale

- Public Procurement represents 15-20% of countries GDP and 30% of the national expenditure budgets;
- The close interaction between the public and private makes procurement particularly vulnerable to corruption and fraud;
- Crucial pillar of service delivery;
- The cost of procurement related corruption is significant (maybe as much as 5% of global GDP);
- Severe negative impacts on the functionality of the state and public administration;

# Objectives

- Help governments on how to organise public procurement integrity reforms;
- Provide an instrument on how to diagnose public procurement system from both an integrity and efficiency perspective;
- Introducing the four level analytical tool;
- Pilot integrity risks management models and measures;
- Indicate possible measures for capacity development of a national public procurement system;

# The Four-Level System

1. National system level
2. Organizational level
3. Procurement process level
4. Individual level

# Level 1- National System

Integrity risks identified are addressed within the following areas:

**Pillar 1.** Legal and Regulatory Framework;

**Pillar 2.** Institutional Framework and Capacity;

**Pillar 3.** Operational Capacity and Market Functionality;

**Pillar 4.** Control Structure and Integrity Mechanisms;

# Level 2- Organisation and Procurement Function

Identification of integrity risks at this level focuses on the following issues:

- The role and function of the procurement organisation of the procuring entity;
- Capability and capacity of procurement staff
- Decision- making, Responsibility and Accountability;
- Conflict of Interest;
- Discretionary Power;
- Political Interference;

# Level 3- The Procurement Process

Common integrity risks are discussed during the whole procurement cycle:

- I. Pre-bidding Phase
- II. Bidding Phase
- III. Post-bidding Phase

A checklist with common risks, red flags and mitigation measures is found in the Annex of the Guidebook.

# Level 4- Individuals

Integrity risks at this level refer to UNCAC 9.1 (e) requirement on measures to deal with personnel matters, such as,

- Declaration of interests
- Screening procedures
- Training requirements



# Overall Integrity Risks

- ▶ Poor understanding or awareness by the management of the integrity risks in the procurement process;
- ▶ Lack of integrity risk management plans in general within the procuring entities;
- ▶ No or insufficient guidance documentation on procurement integrity risks;
- ▶ No training of staff available on integrity risks;
- ▶ Insufficient internal control mechanisms in place;
- ▶ Insufficient follow-up or negligence of external audit decisions;

# Integrity Risks Indicators (**Red Flags**)

- Assess the presence of integrity risks;
- Will never **prove** irregularities, but only highlight potential risks;
- If the presence of red flags is suspiciously high or a red flag is essential further investigations are needed;
- Red flags act as countermeasures to detect risks;
- More red flags indicate a higher chance of corruption, but not necessarily in an individual case;

# Preventive Measures

- ▶ Linked to the improvement of the overall policy and regulatory frameworks at the national system level;
- ▶ Improve the capacity of the institutional frameworks on oversight and control (system level);
- ▶ The establishment of an integrity risks management plan (organisational level);

# Process and Stakeholders

- Political commitment at highest level;
- Agree on a robust and participatory integrity risks assessment process;
- Clear objectives, timetable, steps (10), actions and follow-up;
- Define and involve all the key stakeholders;
- Appoint the lead authority of the process;
- Ensure broad consultation during and after the review process;

**The Role of Anti-Corruption Agencies in the Reform Process?**

**Thanks for your attention!**