

Corruption in Public Procurement



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9/28/2020



"BE SATISFIED WITH WHAT
YOU HAVE;
THEN CORRUPTION ENDS IN
ITSELF."



CORRUPTION



- **Misuse of public office**
- **Intentional**
- Conflict with **principle of objectivity** in *public service performance*



CORRUPTION



- Person derive recognizable **benefit**
- **Direct return** from specific acts



PUBLIC PROCUREMENT CORRUPTION



- **Political or high level**
- **Administrative or bureaucratic**



PUBLIC PROCUREMENT



1. Purchases require specialized **research and development**, e.g., *newly designed military aircraft*
2. Purchases of **complex, special purpose projects**, e.g., *dams or port facilities*



PUBLIC PROCUREMENT

3. Purchases of **standard products** sold in open markets, e.g., *motor vehicles or medical supplies*
4. **Customized versions** of products available in open markets, e.g., *computer systems or fleets of police cars*



INCENTIVES



- **Demand** side
- **Supply** side



ORGANIZATION OF PUBLIC PROCUREMENT

- **International Competitive Bidding (ICB)** *widely accepted* **procurement procedure** worldwide
- **Cost-efficient**
- **Manipulated**



PUBLIC PROCUREMENT REFORMS



- **Procedure** *fair, competitive, information-protecting, transparent, cost-efficient, impartial and ethical, with rules ensuring secrecy, accountability, simplicity and justice*
- **Contradicting** considerations



DISTURBANCE OF CORRUPT RELATIONSHIPS



- Increase **transaction costs** of corruption
- **Rotation** of public officials responsible for procurement
- Separation of **responsibilities**
- Reduce **opportunities** to delay procedures



PUBLIC PROCUREMENT ANTI-CORRUPTION STRATEGIES



- **Public officials** misusing bureaucratic position
- **Agents, middlemen and “fronts”**
- **Good Corporate Governance**



PUBLIC PROCUREMENT ANTI-CORRUPTION STRATEGIES



- **Independent procurement unit** with professional officials
- **Rotation** of public officials responsible for procurement
- **Performance rating** in large procurement projects



PUBLIC PROCUREMENT ANTI-CORRUPTION STRATEGIES



- **Separating** evaluation of bids into technical and economical team
- **Procurement rules** *clear and simple*
- **Time limits** strictly respected



ANTI-CORRUPTION STRATEGIES



- Corruption not **one-sector** phenomenon
- **Procurement system** good place to start more **comprehensive reform**
- **Transparency** imply clear and simple rules
- Announcement of **evaluation criteria**



PUBLIC PROCUREMENT ANTI-CORRUPTION STRATEGIES



- **Well-documented** explanation for contract award
- Thorough **planning procedure**
- **Responsibility of private companies**
- **Political commitment** most important contribution

“**INTEGRITY,**
THE CHOICE BETWEEN
WHAT'S CONVENIENT
AND WHAT'S RIGHT.”

-Tony Dungy, *Uncommon*