



ENHANCING INTEGRITY IN PUBLIC PROCUREMENT:

THE OECD'S HOLISTIC APPROACH

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Agenda

- Public Procurement, a high risk area
- Developing higher standards
- Tools to fight corruption
- A holistic approach to Integrity



Public Procurement: A high risk area

- **Public Procurement is a major economic activity** (12% of GDP, 1/3 of Gov. expenditures)
- It stands as a crucial pillar of strategic governance for any government body;
- It takes two to tango: it is also a high-risk area due to the close interaction between private and public spheres
- Governments face the challenge of ensuring that different priorities are clear, work together and overlaps or conflicts are avoided.



Risk areas and drivers of economic growth

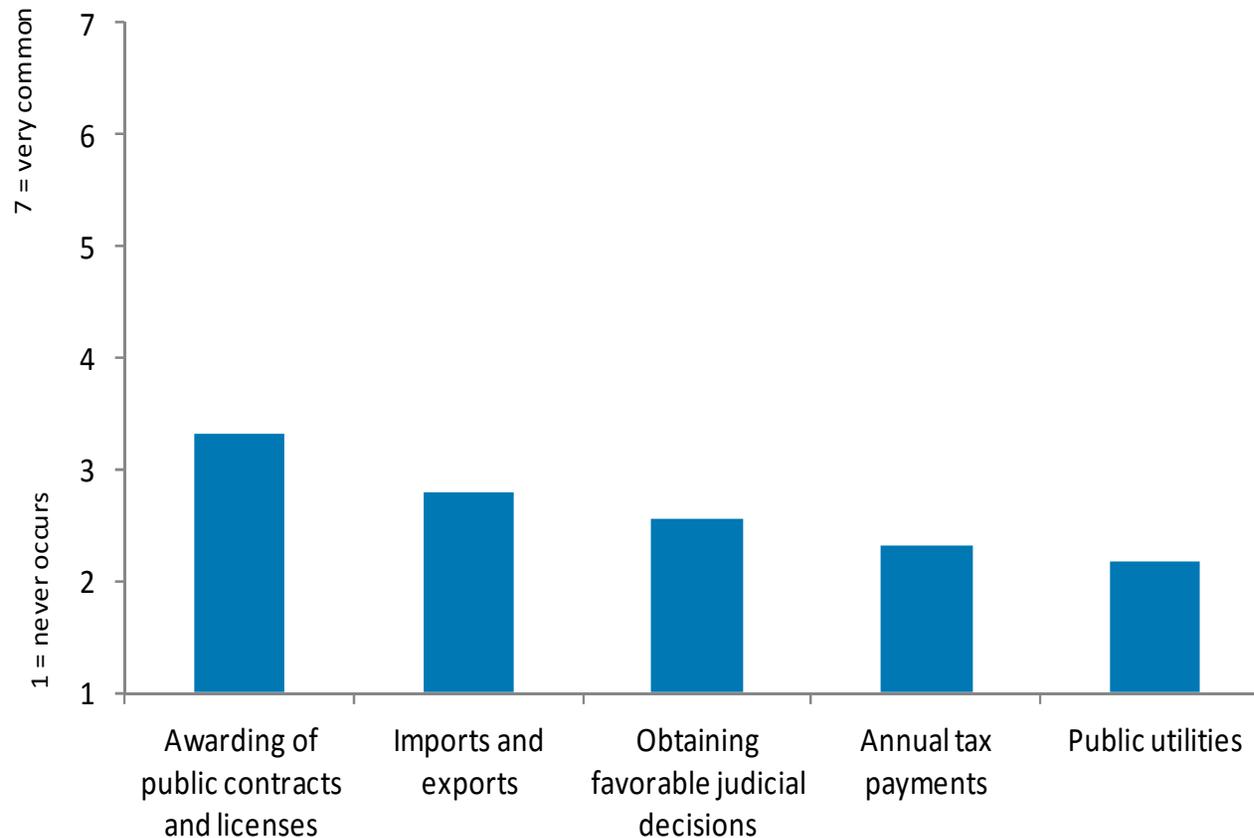
Public Investment and Infrastructure

Infrastructure governance matters

- Driver for growth, productivity, and quality of life
- Total global infrastructure investment requirements will come to USD 71tn by 2030 (3.5% of the annual World GDP from 2007 to 2030)
- A large share of infrastructure investments are and will be borne by governments



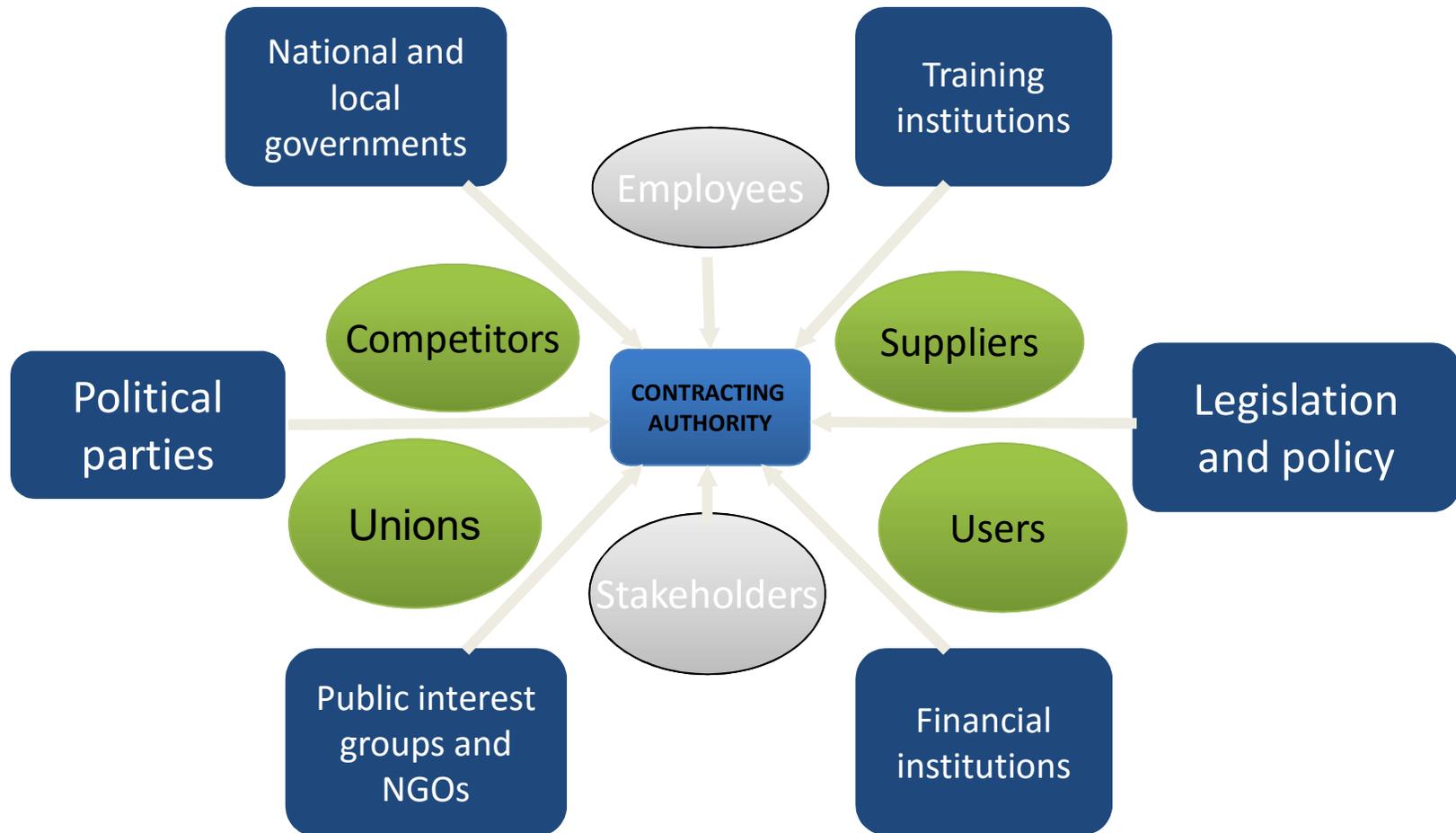
Public procurement is the government activity with the highest perception of bribery risk



Source: 2012-2013 Executive Opinion Survey from the World Economic Forum for the Global Competitiveness Report



Stakeholders and Impacts on contracting authorities (legal/illegal)





Holistic approach

- As integrity risks exist throughout the public procurement process, a **holistic approach** for risk mitigation and corruption prevention is needed.
- Focusing integrity measures solely on one step in the process may increase risks in other stages.
- Similarly, addressing only one type of risks may give leeway to integrity violations through other mechanisms.
 - E.g. administrative compliance measures in the bidding phase do not root out the risk for political interference in the identification of needs.



A Holistic view: Main OECD instruments on public procurement and integrity

- OECD Guidelines (2009) and Recommendation (2012) for Fighting Bid Rigging in Public Procurement
- Principles for Transparency and Integrity in Lobbying (2010)
- G20 High Level Principles on Asset Disclosure for Public Officials (2011); Guiding Principles for Legislation on the Protection of Whistleblowers (2012) and against Solicitation (2013); Principles for Integrity in Public Procurement (2015)
- Recommendation on Public Procurement (2015)
- Recommendation on Public Integrity (2017)



The 2015 Recommendation on Public Procurement: 12 integrated principles





Addressing key areas: developing proper tools

Transparency and availability of adequate and timely information:

- on individual tenders (tender notices etc.)
- on the whole public procurement system
- Ensure visibility of the flow of public funds throughout the public financial management cycle.

Integrity:

- high standards of ethics for procurement officers (and all other stakeholders...)
- specific integrity tools, codes of conduct
- clear rules about conflict of interest.



Addressing key areas: engaging the stakeholders

- **Accountability:**
 - clear chains of responsibility in the public procurement cycle
 - proper oversight mechanisms
- **Stakeholder participation:** open and regular dialogue with suppliers and business associations
- **Professionalisation** of the procurement workforce and in general, training of all involved parties (contracting authorities, private sector, and the staff of the oversight bodies)
- Co-operation between relevant **institutions**
- Stimulate **competition** in the market
- Development of **e-procurement tools**
- Citizens oversight, the role of civil society and media



→ The OECD Public
Procurement Toolbox:
innovative, practical, collaborative
solutions



Other practical tools: Checklist for designing tenders

- Learn about the market and about your suppliers
- Maximize participation of potential bidders
- Define requirements clearly and avoid predictability
- Reduce communication among bidders
- Raise awareness of the risks of bid rigging, provide training



Checklist for detecting bid rigging

Procurement officials should be alert for:

- Opportunities that bidders have to communicate with each other
- Relationships among bidders (joint bidding and sub-contracting) – Importance of market intelligence
- Suspicious bidding patterns (e.g. ABC, ABC) and pricing patterns
- Unusual behaviour
- Clues in documents submitted by different bidders



OECD Integrity Framework for Public Investment: addressing the entire cycle

- The Framework proposes measures safeguarding integrity at each phase of the investment cycle:
 - **Selection phase:** making investment decisions in the public interest
 - **Appraisal phase:** ensuring credible and objective estimations of all costs and benefits related to the project
 - **Planning phase:** ensuring tender documents and processes do not unduly favour some stakeholders
 - **Tendering phase:** ensuring processes that promote qualification, accountability and value for money
 - **Implementation phase:** minimizing delays for completion, excess costs, and ensuring quality
 - **Evaluation phase:** auditing the government project upon completion by an independent institution



A HOLISTIC APPROACH TO INTEGRITY



A new strategic approach to integrity

- Moving from distinct frameworks to a **coherent integrity system**
- Supporting resilience to corruption through a **risk-based approach**
- Advocating a **whole-of-government** and **whole-of-society** approach
- Recognising integrity as a **cornerstone of good governance** and **lever for trust**

Recommendation: coherent integrity system and practice

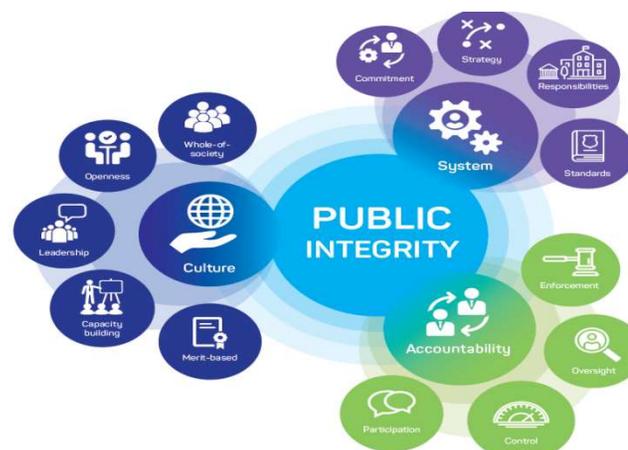




Recommendation on Public Integrity

Three pillars, 13 principles:

1. Building a coherent and comprehensive public integrity system
2. Cultivating a culture of public integrity
3. Enabling effective accountability





Pillar I: comprehensive and coherent integrity systems



- Demonstrate **commitment** at the highest political and management levels within the public sector to enhance integrity and reduce corruption
- Develop a **strategic** approach for the public sector that is based on evidence and aimed at mitigating integrity risks
- Clarify institutional **responsibilities** across the public sector to strengthen the integrity system
- Set high **standards** of conduct for public officials



Pillar II: fostering a culture of integrity

	CULTURE
	Leadership
	Capacity building
	Openness
	Whole-of-society
	Merit-based

- Invest in integrity **leadership** to demonstrate commitment to integrity
- Provide information, training, **guidance** and timely advice for officials
- Support a responsive **organisational culture**
- Involve different **societal actors**, e.g. private sector
- Promote a merit-based, **professional** public sector dedicated to public service values and good governance



Pillar III: enabling effective accountability

	ACCOUNTABILITY
	Participation
	Control
	Oversight
	Enforcement

- Apply a **control and risk-based** management framework to safeguard integrity in public sector organisations
- Reinforce the role of external **oversight and control** within the public integrity system
- Ensure **transparency** to promote accountability and the public interest
- Ensure **enforcement** mechanisms provide appropriate responses to all suspected violations of integrity standards by public officials and all others involved in the violations



OECD Integrity Framework: What are the tools?

Integrity measures	Supporting public management processes
<ul style="list-style-type: none">• Codes of conduct• Conflict-of-interest rules• Financial disclosure requirements• Gifts and gratuities policy• Post-employment measures• Targeted integrity (re-)training, accessible advice and counselling• Reporting channels and protection for whistle-blowing• Internal integrity actors for co-ordination and external integrity “watchdogs”	<ul style="list-style-type: none">• Access to information law• Internal financial controls, including cash, asset and debt management• Public procurement, including pre-tendering, tendering and contract management and payment• Human resource management, including recruitment, evaluation and career progression• Performance management, including quality control processes and external evaluations• Internal and external audit, including the monitoring and follow up of recommendations.

WWW.OECD.ORG/GOV/ETHICS/PUBLIC-PROCUREMENT.HTM

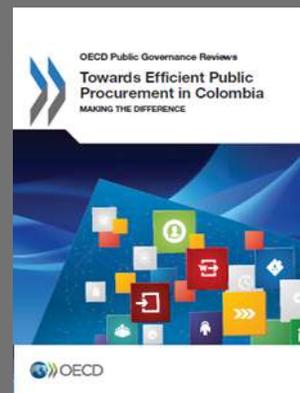
Instruments



Tools



Reviews





Thank you!

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