

Transparency International Anti-Corruption Helpdesk Answer

Transparency, accountability, and integrity of public procurement systems

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Public procurement is a critical function of government, involving the acquisition of goods, services, and works needed to support public administration and the delivery of public services. At the same time, public procurement is subject to high corruption risks with about 10-25% of this spending estimated to be lost to corruption (UNODC, 2013a). Risk factors include the large amounts of funds at stake, complexity of processes, multitude of stakeholders involved, and space for discretionary decisions (OECD, 2016). As such, corruption has a significant impact on the quality, cost, and timeframe of public procurement. At the same time, it is difficult to tackle because of the inherent complexity of public procurement, the hidden nature of corruption, and the difficulty of challenging corrupt practices where perpetrators may belong to political or economic elites and procurement corruption has become an institutionalised and systematic technique of personal enrichment.

Measures to enhance integrity in public procurement reforms can thus improve the both the governance and transparency of the process, as well as strengthen outcomes in terms of value-for-money and the productivity of government investment. This Helpdesk Answer describes legislative and policy reforms promoting transparency, integrity, and accountability in public procurement systems. The paper first presents the foundations and different elements of public procurement systems and how these relate to anti-corruption efforts. Second, it presents a series of legislative and policy practices to strengthen transparency, integrity, and accountability of public procurement systems.

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Public procurement systems and anti-corruption

Public procurement as a strategic government function

Accounting for 13% to 20% of GDP across countries worldwide, public procurement represents a hugely important government function, comprising roughly one third of government spending on average (Bosio & Djankov, 2020; OECD, 2006). Global expenditure via procurement is estimated at nearly US\$9.5 trillion (Global Public Procurement Database, 2020). Given the scale of this spending, public procurement is not just a self-contained operational or bureaucratic activity but a strategic government function that requires careful planning,

risk assessment, and consideration of long-term goals.

As part of the public financial management (PFM) cycle, public procurement is a major component of the implementation of public resource allocation and the execution of public policies and investments as laid down in budgetary plans. Effective public procurement processes contribute to the overall fiscal discipline and sustainability of government finances (OECD, 2013a). Furthermore, procurement systems can support public policies such as gender equality and environmental sustainability initiatives by integrating specific requirements and criteria, such as through the prioritisation of suppliers and contractors who have demonstrated a commitment to the desired norms.

Anti-corruption principles in international texts and agreements

Existing international texts and agreements provide comprehensive guidance for countries to embed anti-corruption principles in their public procurement systems. By aligning national laws and practices with international principles and guidelines, countries can strengthen their efforts to curb corruption and promote good governance in public procurement. The United Nations Convention against Corruption (UNCAC) in its Chapter 2, Article 9, outlines important principles related to preventing corruption in public procurement, including transparency, competition, and objective criteria in decision-making (UNODC, 2013a). By ratifying the UNCAC, countries commit to implementing these principles and establishing measures to prevent and detect corruption in public procurement.

Similarly, the WTO Government Procurement Agreement (GPA), sets out principles and rules for transparent and non-discriminatory procurement

procedures among its member countries, enabling foreign suppliers to access domestic procurement markets.¹ It stresses the significance of open and competitive procurement processes, non-discrimination, fair treatment of suppliers, and the promotion of good governance and transparency. Furthermore, based on the principles of the UNCAC, the United Nations Commission on International Trade Law's (UNCITRAL) Model Law on Public Procurement from 1994 played a significant role in shaping countries' legislative reforms. It provided a standard that states can reference to modernise their procurement legislation and harmonise this with frameworks in other foreign jurisdictions. The Model Law incorporates anti-corruption principles by promoting clear rules, effective oversight, and sanctions for procurement-related misconduct. Consequently, many countries have similar regulations on paper, although their implementation varies in practice (Bossio & Djankov, 2020).

A recent resolution adopted by the Conference of the States Parties to the UNCAC represents the first ever UN resolution on public procurement as part of the UN's wider work to implement the SDGs.² The wording reaffirms the commitment of UN Member States to adopt anti-corruption measures and underscores the importance of transparency, accountability, and integrity, and encourages member states to take concrete actions to strengthen fair competition, deepen public participation, and set objective criteria in

decision-making related to procurement processes. The resolution emphasises the need for reforms in four key areas:

1. Establishing a single procurement rulebook and risk-based anti-corruption policies;
2. Enhancing the use of e-procurement, open data, and procurement data analytics;
3. Ensuring fair competition and business integrity; and
4. strengthening vertical accountability and horizontal accountability mechanisms, such as supreme audit institutions and cooperation with other oversight authorities.

Besides these globally formulated texts, there are regional instruments to govern public procurement in international contexts. For example, in 2022 the International Procurement Instrument (IPI) has come into effect as an EU Regulation that promotes reciprocity in access to international public procurement markets and can be used to restrict access to the EU internal market for non-EU suppliers.

Core pillars of public procurement systems³

As these international legal texts expound, an ideal public procurement system rests on robust laws and institutions, which ensure that its market and operations are governed by the principles of competition, fairness, transparency, and integrity. Strong legal frameworks are essential to provide a clear and comprehensive set of rules and regulations for the selection of suppliers, the award

¹ For details on corruption risks related to foreign bidders in public procurement, see this Helpdesk Answer: https://knowledgehub.transparency.org/assets/uploads/kpr-oducts/Corruption-risks-related-to-foreign-bidders-in-public-procurement_final.pdf

² See paragraphs 4, 5 and 9 of UNCAC Resolution 9/1 on anti-corruption during emergencies

<https://www.unodc.org/unodc/en/corruption/COSP/session9-resolutions.html#Res.9-1>

³A good overview is provided by MAPS (2018), *Methodology for Assessing Public Procurement Systems –* <https://www.mapsinitiative.org/methodology/MAPS-Methodology-ENG.pdf>

of contracts, and the monitoring of contract performance (UNODC, 2013a). The regulation of public procurement is a historically recent development, with the majority of countries enacting procurement laws in the 1990s or 2000s, often following the UNCITRAL Model Law.

As part of the policy framework, measures to ensure transparency are a vital component of any public procurement system. Transparency has been shown to reduce corruption risks in public procurement (Bauhr et al., 2019), as well as improve competition and ultimately value for money (Knack et al., 2017). Only where bidding opportunities are visible to every potential supplier can the benefits of competition, such as increased innovation, efficiency, and lower prices and better-quality goods and services (i.e. value for money), be realised. Empirical evidence indicates that transparency indeed results in a larger pool of potential suppliers (Knack et al., 2017; Tas, 2020), however this outcome is contingent on the market context – i.e. whether there are other competitive suppliers to enter the market (Lagunes, 2017).

Hence, governments should establish clear and accessible procurement processes, making information on contract opportunities, requirements, and evaluation criteria readily available to potential suppliers and the public. Using digital technologies can greatly enhance transparency, efficiency, and accountability, such as e-procurement systems and transparency platforms, to streamline processes, reduce

bureaucracy, and minimise opportunities for corrupt activities (Bauhr et al., 2019). Generally, there is a threshold of mandatory publication of procurement processes to ensure transparency and fair competition, although in practice the threshold value of contracts that require publication vary across countries. These thresholds should be carefully defined in accordance with the size and nature of the procurement to strike a balance between transparency, competition, and administrative burden (Halogen, 2017).⁴

In addition, public procurement systems should establish measures to ensure accountability and integrity in the procurement process. This can be achieved through (UNODC, 2013a):

1. the implementation of clear and enforceable ethical codes,
2. the establishment of clear lines of authority,
3. the delineation of roles and responsibilities within the procurement process,
4. measures to prevent and address conflicts of interest such as mandatory disclosure of financial interests,
5. the establishment of oversight bodies,
6. the setting up of mechanisms for review and redress in case of impropriety or misconduct with severe penalties for corrupt practices.

In tandem with robust laws and regulations, institutions play a crucial role in overseeing and implementing public procurement processes.

⁴ For example, in the European Union, the thresholds for mandatory publication of procurement data are determined by the value of the contract. For supply and service contracts, the threshold is €139,000 for central government authorities and €214,000 for sub-central government authorities. For works contracts, the threshold is €5,350,000. Tenders that exceed these thresholds are required to be published in the Official Journal of the

European Union to ensure transparency and fair competition (Graells, 2019). In addition, after the procurement process has been completed, information about the winning bidder and data about the contracts related to these tenders are published. These thresholds are designed to balance the need for transparency with administrative efficiency.

Notably, a study examining how variations in institutional design across different countries impact the outcomes of public procurement reforms across Latin America found that, of different types of procurement reform evaluated, the creation of a procurement agency had the largest impact on outcomes (Harper et al., 2016). Dedicated procurement authorities have been established in some countries with the mandate to monitor the adherence to regulations, provide guidance to procuring entities, and conduct oversight to prevent malpractices. In other countries, procurement authorities also have the mandate to run procurement processes on behalf of public organisations – these are typically called central purchasing bodies. In either case, procurement authorities should be equipped with the necessary resources, expertise, and independence to effectively carry out their mandates (Bosio et al., 2022; Anderson et al., 2011).

Further oversight bodies should be part of the institutional framework for procurement processes. For example, Competition Authorities are responsible for monitoring and uncovering unfair limitations of competition, including collusion and corruption in public procurement. In addition, Anti-Corruption Agencies may be tasked with investigating and prosecuting cases of corruption in public procurement, while Supreme Audit Institutions are typically responsible for conducting audits of public financial management, including procurement, to help identify and address instances of non-compliance and inefficiencies. Lastly, Ombuds offices may also have a role in overseeing public procurement, particularly in addressing complaints and grievances raised to them (UNODC, 2013a).

The political economy of public procurement reforms

According to a review from October 2023 of countries' progress against the UNCAC Chapter 2, multiple challenges persist in the implementation of public procurement principles. These include:

1. Lack of information relating to procurement procedures and inadequate rules concerning technical specifications for tenders;
2. non-existent or ineffective systems of domestic review and appeal in public procurement;
3. inadequate selection, screening methods and training for procurement officials;
4. no obligation for procurement officials to declare their assets and interests;
5. lack of information and communications technology-based procurement systems (e-procurement) and measures regulating procurement personnel;
6. limited transparency in the process for the adoption of the budget and lack of public consultation;
7. no or limited systems of risk management and internal control in the management of public finances and insufficient external audits;
8. inadequate record retention periods for preserving the integrity of accounting records; and
9. inadequate sanctions for non-compliance in the preservation of documents related to public expenditure and revenue.

These findings underscore the fact that the implementation of de jure public procurement principles into de facto functioning systems is challenging.

Any kind of reforms face a complex interplay of political, economic, and institutional factors, not least as reforms can encompass legislative and policy changes, institutional strengthening, capacity building, and the use of technology. The

political economy of public procurement is probably one of the most crucial contextual factors in determining the outcome of measures to enhance integrity (Fazekas et al., 2015). Public procurement is intricately connected to the overall political economy at both national and local levels, as the awarding of public contracts provides an opportunity to direct the flow of public resources and therefore has political implications for various interest groups. For instance, procurement processes can provide an opportunity for political and economic elites to extract substantial profits (for example through awarding public contracts to ruling families), or to shore up their power by distributing the benefits associated with public contracts among supporters (such as rewarding loyal local leaders) (Fazekas & Blum, 2021). In fact, the abuse of public procurement processes is often a hallmark of patronage-based political orders characterised by a high degree of rent-seeking.

To untangle this intricate web, it is important to understand the dynamics that shape the outcomes of public procurement reforms in their national context and the unique features and actors within each country. Effective reform will require a bespoke approach to overcome obstacles including corruption, bureaucratic resistance, and capacity constraints. A successful reform strategy needs to consider the political economy factors such as competition between political parties, the electoral system, party funding, the separation between public and private sectors, public tolerance for corruption and inefficiency, and the ability of civil society and business groups to advocate for their interests.

Political will and capacity

Political factors, such as government priorities and leadership, play a significant role in initiating and steering public procurement reforms. Their

success or failure often hinges on the involvement and influence of interest groups, political parties, and individual policymakers (Tiong & Sim, 2016). Hence, strong political support is essential for overcoming resistance to change and ensuring the successful implementation of reforms (Decarolis, 2018).

Nevertheless, it is important to distinguish between the political will to pursue reform and the capacity to implement it. Political will can drive reform, but without sufficient capacity, including technical capabilities and resources, reforms can falter. For instance, despite high-level support, some reforms fail due to a mismatch between ambition and local capacity. Adam et al. (2020) advise international organisations and donors to focus their provision of technical assistance and funding to support procurement reforms on countries in which there is political appetite to strengthen public procurement but administrative capacity and technical expertise are lacking.

Economic Considerations and Market Dynamics

The success of public procurement reforms is significantly influenced by economic factors. One such variable is the structure of the procurement market, such as the number of competent suppliers (is it a monopolistic or very competitive market) and the type of firm present (their size, age, expertise, reputation, etc.). Another factor is the need to balance competition and inclusivity so that policies to foster the growth of locally owned, small- and medium-enterprises (SMEs) or women-owned businesses are implemented, but at the same time ensuring that the cooperation with long-standing and established quality suppliers is not jeopardised. In addition, the role and influence of private sector actors is important in terms of their potential political connections and their track record of abiding by the rules. Finally, fiscal

constraints and the desire to achieve value for money could also impact the design and implementation of procurement reforms. As governments under budgetary limits and need to prioritise among spending options, this could mean prioritising reforms that promise efficiency and savings, or postponing some improvements that would require substantial investment.

As a study on procurement reform strategies in low and middle-income countries by Adam et al. (2020) highlights that in some political economy contexts, framing procurement reforms as a way of improving efficiency and economic competition may make it more palatable to sceptical elites than framing reforms as an anti-corruption intervention or promoting messaging about the intrinsic value of transparency. The advantage of depicting reform efforts as being primarily about improving efficiency is that it frames anti-corruption reforms as a way of saving money. This is likely to attract broad support in low-resource contexts and, if framed in this way, could attract the support of the Ministry of Finance. Equally, procurement reform can be seen as a way of developing the economy and supporting local businesses. In general, government officials and especially civil society actors in the countries assessed by the authors often depicted public procurement reforms as being primarily about improving transparency, whereas in Latin America and Europe, the role of procurement in stimulating SMEs and local economies is a core message promoted by reformers (Adam et al., 2020).

Good legislative and policy practices to strengthen transparency, integrity, and accountability of public procurement systems

To strengthen public procurement systems and promote transparency, integrity, and accountability, several legislative and policy practices can be implemented. The following sections discuss the policy areas of access to information through ICTs, oversight mechanisms, and governance/public administration measures, highlighting examples of policy implementation.

Access to information through ICTs

Access to information refers to the ability of stakeholders, including the general public, civil society, and potential bidders, to obtain relevant and timely information about procurement processes and decisions. This includes details about upcoming opportunities, bid evaluation criteria, contract award decisions, and contract performance. It allows for public scrutiny of procurement processes, as well as helping to identify potential irregularities, assess the value for money in procurement contracts, and promote fair and equitable competition among bidders (Davies & Fumega, 2014).

Several legislative and policy practices can be implemented to enhance access to information in public procurement. These include enacting freedom of information laws that establish the right of access to procurement-related records, requiring procuring entities to proactively disclose procurement information through dedicated websites or portals, and establishing mechanisms for the public to request specific procurement-related documents. Furthermore, promoting open data principles, i.e. publishing data in structured

and machine-readable formats, can facilitate broader access to information and support monitoring and quantitative analysis (Gurin, 2014). Encouraging the use of integrated e-procurement systems that produce such data and provide real-time updates on procurement processes is essential for enhancing access to information.

The impact of access to information measures depends on the type, quality and availability of data and the match between demand and supply of information, meaning that there must be people and organisations who are willing and able to use the data provided. For example, Bauhr et al. (2019) show that overall tender transparency reduces corruption risks substantially, especially when tender data are comprehensive and detailed. This is for two reasons. First, because this reduces the need for personal contact between firms and officials, such as when firms contract officials to request additional information. Second, this allows potential bidders to clearly assess the opportunity, the competition and the fairness of the process – in other words, they are better placed to realise when reviewing a call for tender that it is unreasonably restrictive or exclusive and can complain to the authorities. Bidders hence serve as useful monitors with the power to bring cases to court and have tenders withdrawn or revised.

Critics argue that government-led transparency may not always be reliable as ‘inconvenient’ information may remain undisclosed or be removed from public scrutiny (Suleiman, 2017). Thus, the mere existence of open government data does not translate into lower levels of corruption in procurement, due to constraints such as limited resources for potential data users (be it government, firms, or the public) to engage with the data, analyse and interpret it correctly (Adam et al., 2020). Furthermore, open data will not be able to counter impunity, hence observed

irregularities need to bear consequences, meaning that the rule of law governing regulatory processes and judicial competence to follow through with cases needs to be ensured.

Application of practice

The most common way to disclose procurement information is through online data portals, which can be either run by governments or civil society. While both types aim to enhance access to information, there are distinct differences in their objectives, scope, and operational models. Government-run open data platforms are often established by public institutions to fulfil legal or policy requirements related to transparency and access to information. These platforms are typically designed to provide citizens, businesses, and other stakeholders with access to a wide range of government data, including procurement information. For example, the government-run [DREAM platform](#) from Ukraine publishes open data across all stages of reconstruction projects. However, they may be limited in terms of the depth and granularity of the data provided, and there could be challenges related to data quality, timeliness, and usability.

On the other hand, open data platforms run by civil society organisations are driven by their advocacy efforts to promote transparency, accountability, and public engagement in government procurement. These platforms may go beyond simply making data available and may focus on data analysis, advocacy, and citizen empowerment. For example, the [Opentender platform](#) re-publishes procurement data and adds analytics, such as corruption risk indicators (Fazekas, Cingolani, & Tóth, 2017). Civil society-run platforms tend to emphasise data completeness, accuracy, and relevance, and they may actively engage with users to gather feedback and address their specific needs. They are often

designed to complement and sometimes even challenge the information provided by government-run platforms. By offering a different vantage point, civil society-run platforms contribute to a more holistic understanding of public procurement and serve as watchdogs for potential irregularities or discrepancies in government data (Adam & Fazekas, 2021).

The main ICT tool on which these platforms draw and which serves to provide access to information and automate procurement processes are government-run e-procurement systems. They refer to the use of electronic communications and transaction processing by public organisations when procuring public works, goods, and services including any phase of the public procurement process (Buyse et al., 2015). It encompasses the electronic exchange of procurement-related documents, such as requisitions, purchase orders, invoices, and requests for proposals, as well as the automation of various stages of the procurement lifecycle. There are several types of e-Procurement systems, each offering different features and functionalities:

1. **E-Sourcing:** This type of system focuses on the electronic management of the sourcing process, including supplier identification, negotiation, and contract management. It allows organisations to streamline the sourcing of goods and services, obtain competitive bids, and manage supplier relationships more efficiently.
2. **E-Tendering:** E-Tendering systems enable the electronic creation, publication, and management of tender documents. They provide a secure and transparent platform for soliciting bids from potential suppliers, evaluating proposals, and awarding contracts.
3. **E-Auction:** E-Auction platforms facilitate the conduct of online auctions for procurement purposes. These systems are commonly used for the procurement of

goods and services where price competition is a significant factor.

4. **E-Procurement Suites:** These comprehensive systems integrate various e-Procurement functionalities, such as e-Sourcing, e-Tendering, contract management, supplier relationship management, and electronic catalogue management into a single unified platform. E-Procurement suites offer end-to-end support for the procurement process, from requisition to payment (Buyse et al., 2015).

First, the potential impact of e-procurement tools is to significantly reduce transaction costs compared to a paper-based system where transfer of information and documents among participants in the bidding process is more costly and prone to error and manipulation (Buyse et al., 2015; Croom & Brandon-Jones, 2005). Second, the online availability of notifications and tendering is expected to diminish information asymmetries between insiders and potential market entrants. Thirdly, e-procurement can facilitate both internal and external supervision leading to a more organised examination of procurement operations. An evaluation of infrastructure e-procurement in India and Indonesia discovered that e-procurement leads to an increase in the number of bidders, more non-local winners, and better contract implementation quality, though not lower prices (Lewis-Faupel et al., 2016). These findings are complemented by government reports claiming price savings of around 20% after the introduction of e-procurement systems in Brazil, Mexico, and Romania (Auriol, 2006).

However, while e-procurement tools may improve certain outcomes, they can also introduce new problems, such as system design rigidity and technical IT errors. In addition, adopting a new system incurs a one-off transition cost for users, which particularly in developing countries might be substantial or even prohibitive. The effectiveness depends on all involved parties being computer

literate with adequate knowledge about specific systems used within this context, otherwise the anticipated benefits might fail to materialise (Croom & Brandon-Jones, 2007). The slow adoption of various e-procurement tools across OECD as well as EU member states (Buyse et al., 2015; OECD, 2011b) suggest that the cost of implementing new tools can be substantial, potentially stalling reform (Thai, 2009a). Noticeably, evidence from Paraguay presents another important barrier to e-procurement impact – there must be companies able to enter the market once access is expanded; if there are very few or none such companies then short- to mid-term positive effects are negligible. Overall, it transpires that introducing e-procurement systems in any public administration requires far more than a simple purchase of a software, it almost always requires amending administrative procedures, shifting duties and controls within public organisations.

Open Data standards

The use of data standards is an important component of e-procurement reforms that entails the publication of procurement-related information in a standardised, machine-readable, interoperable, open format, allowing for greater accessibility and analysis by stakeholders. In addition, the use of data standards enables cross-referencing between procurement data and other datasets (e.g., budget and spending data, beneficial ownership, interest and asset declarations, political financing and donor datasets, blacklists and debarments, tax havens). Comparison between these different types of dataset can help detect integrity breaches and thus act as a potential deterrent to corruption. For example, where better data on beneficial ownership, procurement, and politically exposed persons are available, it allows for better diagnosis

of the political-business nexus; or where blacklists can be cross-referenced in the bidding process, it can prevent sanctioned entities from accessing public money.

While different countries and organisations use different procurement data standards (see Hrubý et al., 2018), the [Open Contracting Data Standard](#) is a reference point that defines a common data model for the publication of procurement data at all stages of the contracting process. It recommends the disclosure of essential information about the procuring entity, the bidding process, contract details, and amendments, among other key aspects. Such standardised approaches to data publication also allow for comparative analysis across different procurement processes, which makes it easier to identify good practices and areas for improvement.

The challenges of using data standards revolve around the quality and completeness of the published data, the willingness and skill to adopt open data standards within government agencies and addressing technological and capacity gaps in data management and dissemination. The utility and user-friendliness of open contracting data is an important condition to allow for meaningful engagement by stakeholders and overcoming barriers to its effective use (Adam et al., 2020; Mohungoo et al., 2020).

Application of practice

The Ukrainian e-Procurement system, [Prozorro](#), is an internationally recognised example of how an entire procurement system was transformed into a digital, online and accessible platform in a process driven by grassroots initiatives and implemented through collaboration between government, business, and civil society. The platform provides real-time access to procurement data, including details of the tender process and automation of

various stages of the procurement lifecycle, which has resulted in improved efficiency and significant cost savings for both the government and suppliers. It has facilitated increased competition among suppliers, leading to better value for money and more opportunities for small and medium enterprises to participate in public procurement (OCP, 2018).

Nevertheless, *Prozorro* has not been without challenges. The implementation of the system faced initial resistance from vested interests and the debate remains as to what extent it has been able to counter the systemic corruption structures engrained in Ukrainian elites (Nizhnikaŭ, 2020). Besides, the sustainability of *Prozorro* relies heavily on the continuous maintenance of the platform and the quality of the data it hosts. Government commitment to ensuring the accuracy, completeness, and relevance of the information disclosed on *Prozorro* is crucial for its continued success.

The rollout of a new e-Procurement system in Bangladesh provides another example of an extensive reform, which, in contrast to Ukraine, was driven top-down instead of bottom-up. Backed by the World Bank, the Bangladeshi leadership forced through the digitalisation of public procurement to generate savings and counter mid- and low-level corruption within a decentralised system (Blum et al., 2023). The Bangladeshi e-Procurement system has not only improved efficiency and reduced administrative burdens but also led to significant cost savings, improved competition and lower corruption risk. The processing time for tenders reduced by 16-19 days, and overall procurement cost decreased by 25%. It is estimated that the government directly saved US\$460-\$513 million due to the introduction of e-procurement (Blum et al., 2023). However, it is possible that corrupt practices were displaced to

the contract implementation phase, which remain principally paper-based (Blum et al., 2023). Besides, similarly to the experience in Ukraine, the implementation of e-Procurement in Bangladesh has faced initial challenges and resistance from vested interests. Hence government commitment to ensuring accuracy, completeness, and relevance of the information disclosed through e-procurement systems and making it available for re-use by civil society is crucial for their continued success.

Oversight mechanisms

Oversight mechanisms are a group of practices to strengthen transparency, accountability, and integrity in public procurement. There are several types of oversight mechanisms that serve different purposes in the procurement process.

Audits

Supreme audit institutions are independent bodies responsible for auditing government expenditures and ensuring that funds are used efficiently and effectively, which includes the review of public procurement procedures. The UNODC 2023 review of the UNCAC implementation in public procurement underscores that supreme audit institutions have contributed to the strengthening of accountability by issuing recommendations to executive branch agencies and monitoring compliance with these recommendations, as well as imposing or recommending sanctions against bidding companies. However, in practice, policymakers often do not make use of supreme audit institutions' technical knowledge and reports (UNODC, 2023).

High-level audits and monitoring are anticipated to heighten the likelihood of uncovering wrongdoing and the subsequent risk of facing penalties, which, in turn, is expected to improve rule of law and reduce corruption. For example, publicly released

audits of local government procurement and the increased probability of undergoing auditing were found to reduce instances of corruption-related irregularities in Brazilian municipalities with a 20% rise in audit probability corresponding to a 17% decrease in irregularities in procurement processes (Zamboni & Litschig, 2016). Moreover, a randomised controlled field study examining village road construction initiatives in Indonesia discovered that raising the likelihood of audits from 4% to 100% resulted in an 8% decrease in unaccounted infrastructure expenditure (i.e. reduced corruption). Notably, the primary impact did not stem from criminal proceedings as the probability of formal prosecution and punishment of corrupt village officials was perceived to be low, but rather from publicly disclosing audit findings at village gatherings, which officials might fear could impact their chances of re-election (Olken, 2007). This shows that social accountability can be an influential complement to formal punishments.

Appeal mechanisms

Mechanisms through which stakeholders can submit complaints, grievances, and appeals provide a formal process for bidders and stakeholders to raise concerns or disputes regarding the procurement process. These mechanisms can on one hand provide an opportunity for bidders to appeal decisions that they perceive to be unfair or irregular, thus strengthening the system of checks and balances. On the other hand, wider grievance mechanisms can serve communities affected by a public contract to voice their concerns, such as when observing irregularities during the implementation of a project. This increased scrutiny can act as a deterrent against corrupt practices and misconduct and lead to improved decision-making in public procurement.

The presence of appeal mechanisms in public procurement not only reduces the likelihood of biased decisions but can also foster a rule-abiding culture within public organisations (Knack et al., 2017). The existence of appeal mechanisms encourages procurement officials to comply with the rules and regulations, thereby contributing to a more trustworthy and accountable procurement environment.

Dozorro, the counterpart to *Prozorro* in Ukraine, provides an important example of an electronic appeal mechanism providing an open feedback platform (not only for businesses but also citizens) which works with controlling bodies. Complaints can be filed about the bidding process, such as where there are concerns of insufficient transparency, conflict of interest, unfair treatment or discrimination, collusion, or violations of procurement regulations. Additionally, *Dozorro* actively engages civil society and citizen monitoring, allowing for independent oversight and ensuring that the procurement process remains fair and transparent (TI Ukraine, 2018).

Civil society monitoring and multi-stakeholder initiatives

As local communities have direct stakes in the outcomes of procurement processes, such as road construction or school meal provision, civil society can act as a watchdog, providing independent oversight and transparency to the procurement process while advocating for the public interest. Increasing civil society oversight may raise the likelihood of identifying wrongdoing and imposing consequences. For example, a field experiment in Peru observed an extended audit by a civil society organisation of small-scale infrastructure projects. This significantly decreased costs (by 51%) with average savings of \$75,000 per project, thus highlighting the potential impact of collaboration

between relevant authorities and civil society in overseeing contract execution (Lagunes, 2017).

However, such potential impact hinges on the incentives for the local community and its ability to monitor collectively (Kenny, 2010). Where local governments are in charge of procurement, they are on one hand directly accountable to their communities. On the other hand, procurement may be captured by local elites and create an unequal distribution of public goods and services to the extent that collective monitoring may become difficult as communities prioritise continued access to public goods over procedural transparency and integrity (Bardhan & Mookherjee, 2006).

Furthermore, depending on the nature of a project, it may be difficult for communities to assess implementation. For instance, non-experts visiting construction sites intermittently may not readily notice insufficient materials used in road construction (Olken, 2007).

Multistakeholder oversight mechanisms can foster the engagement of civil society and citizen groups in monitoring and evaluating the procurement process together with state and private actors. Relevant examples include CoST and the Integrity Pacts.

The Construction Sector Transparency Initiative (CoST) serves as an ongoing example of multistakeholder monitoring as an oversight mechanism of public procurement, particularly in the infrastructure sector. CoST brings together government, private sector, and civil society to promote transparency and accountability in the management of public infrastructure projects. It not only encourages the disclosure of procurement data but also sets out a multistakeholder approach, which involves government agencies, private sector entities, industrial experts, and civil society organisations by organising field visits by

an assurance team and establishing consultation processes where local communities and civil society can voice their opinions and learn about the monitoring of the project. This collaborative effort ensures that different perspectives and expertise are brought to the table, leading to a more comprehensive and balanced oversight of infrastructure projects. It highlights the importance of inclusivity in oversight mechanisms, drawing attention to the benefits of involving diverse stakeholders in the monitoring and evaluation of procurement processes (CoST, 2021).

Integrity Pacts are another well-established type of multi-stakeholder initiative in public procurement. They typically involve an agreement between the public authority and bidders in which the parties commit to adhere to a set of transparency, accountability, and integrity standards and rules. Under an Integrity Pact, an independent monitor, often a reputable civil society organisation, is appointed to oversee the entire procurement process. The monitor has the authority to review and scrutinise all stages of the process, provides regular reports and findings to the public and relevant stakeholders. Moreover, Integrity Pacts may include provisions for sanctions or penalties in case of any violations, thereby adding an additional layer of deterrence against corrupt behaviour. Integrity Pacts have been successfully implemented in [at least 29 countries](#) worldwide across four different regions (Transparency International, 2019).

Whistleblowing mechanisms

Lastly, whistleblowing mechanisms can improve the ability to detect and report misconduct within the procurement process. Such mechanisms may be run internally by government agencies or companies themselves. Alternatively, certain organisations might provide external

whistleblowing channels, including anti-corruption bodies or civil society organisations.

Whistleblowing mechanisms can bring to light information on incidents of corruption that might otherwise go unnoticed. The technological design of ICT-supported whistleblowing systems should give due care to preserve confidentiality and security, as any potential violation could significantly deter individuals from speaking out. This includes hiding whistleblowers' IP addresses, ensuring secure data transmission, and creating legal structures to protect anonymous informants (Jenkins, 2020). Examples of whistleblowing systems include GlobalLeaks, an open-source software that can be adopted to different settings; and the BKMS® compliance system, mostly for internal whistleblowing, which encrypts and forwards reports to an internal examiner (Adam & Fazekas, 2021).

Transparency International's Advocacy and Legal Advice Centres (ALACs) are a prominent example of a civil society-run whistleblowing mechanism. They provide citizens with a free possibility to safely report corruption they experience or witness and receive (legal) advice and support for their corruption related grievances. There are more than 95 ALACs in 64 countries, and, since 2003, over 300,000 people have contacted ALACs and more than 75,000 cases have been opened. Importantly, besides following up on individual cases of corruption, the data gathered by ALACs is useful for broad-based advocacy by TI (Matthews & Sideri, 2023).

Governance of procurement systems

The quality of governance of public procurement refers to the processes and systems by which procuring organisations and suppliers are directed, controlled, and held to account. It can be strengthened by establishing integrity safeguards

within public organisations to encourage adherence to the rules governing procurement processes. On the other side of the procurement chain, governance can be improved by strengthening integrity management among suppliers, to reduce the likelihood that private sector companies seek to win tenders in a fraudulent or corrupt manner.

Integrity safeguards within public organisations

To prevent corruption in public procurement, legal definitions of prohibited practices and sanctions for non-compliance are as crucial as codes of conduct for officials and stakeholders involved in the procurement process. These measures serve as a deterrent and provide clear guidelines for expected and ethical behaviour for the buyers and suppliers in the procurement chain, including guidelines for disclosing potential conflicts of interest and financial interests. Violations of these regulations and codes of conduct should result in penalties. Effective sanctions for non-compliance could include fines, suspension, blacklists or even dismissal for individuals found to be engaging in corrupt practices. Moreover, rewards for compliance, such as the implementation of whitelists of companies or recognising and rewarding staff who demonstrate ethical conduct can foster a culture of integrity within the procurement process (OECD, 2013a).

Internal control mechanisms established by procuring entities are designed to improve risk management, control, and governance processes within the procurement system. For example, Romania has implemented [an integrated information system](#) to prevent conflicts of interest. The system requires procurement officials as well as all bidders to fill in an electronic Integrity Form on the e-Procurement platform as part of the tendering process. This form requires them to

disclose personal details (such as position, membership in associations or NGOs, past employment) to help detect potential conflicts of interest. The system automatically alerts contracting authorities about any possible conflicts between tender committee members and bidders and requires them to be replaced or debarred. The National Integrity Agency oversees that all necessary steps are taken in response to the system's warnings (UNODC, 2023).

Other safeguards to uphold the integrity of the bid selection process could involve establishing composition rules for evaluation and award committees, ensuring diverse representation and expertise to prevent bias or undue influence. These rules commonly entail the following requirements for committee members:

- i. representation from various relevant departments (e.g. finance, legal, technical, and end-users);
- ii. independence (absence of conflict of interest);
- iii. expertise and qualifications related to the specific procurement project (e.g. technical knowledge, industry experience, legal expertise, or financial acumen);
- iv. diversity in terms of gender, ethnicity, background, and professional experience;
- v. training on procurement laws, regulations, and evaluation criteria; and
- vi. in some cases rotation (e.g. some jurisdictions may require periodic rotation of committee members to prevent complacency).

In addition, "four eyes" mechanisms, where critical decisions are reviewed by multiple individuals, can be implemented in high-risk or high-value projects

to prevent manipulation and wrongdoing. Furthermore, separating financial oversight from decision-making processes can mitigate the risk of conflicts of interest and ensure that financial considerations do not unduly influence procurement decisions (OECD, 2013a). Otherwise, procurement decisions may prioritise short-term financial savings without considering the long-term costs or benefits of different options. This can lead to the selection of lower-cost suppliers or solutions that ultimately result in higher expenses due to poor quality, inefficiency, or lack of durability.

Supplier integrity⁵

Businesses can be both the perpetrator and victim of corruption in public procurement. Most competitive firms will likely have a vested interest in reducing corruption in procurement processes, and yet are confronted by a collective action problem. This arises when individual suppliers face the dilemma whether to compete fairly or collude with other companies and/or public officials to increase their chances of winning contracts, knowing that other suppliers face the same choice. The collective action problem is exacerbated by factors such as asymmetric information, high entry barriers, and the lack of effective enforcement mechanisms. While corruption and collusion may benefit individual suppliers in the short term, they ultimately lead to market inefficiencies, higher costs, and reduced value for taxpayers.

An example of the collective action problem in public procurement is the "Lava Jato" (Car Wash) scandal in Brazil. In the Lava Jato case, construction companies formed a cartel to rig bids for contracts with state-owned oil company

⁵ Detailed guidance is provided in this UNODC document: <https://www.unodc.org/documents/corruption/Publications/2>

[013/Resource_Guide_on_State_Measures_for_Strengthening_Corporate_Integrity.pdf](#)

Petrobras. The companies involved in the cartel colluded to inflate contract prices, pay bribes to government officials and political parties, and divide the spoils among themselves. This widespread collusion distorted competition, resulted in inflated costs for Petrobras and taxpayers, and undermined the integrity of Brazil's public procurement system.

In terms of coercive corruption, predatory procurement officials might demand bribes or kickbacks from potential suppliers. Small businesses at the local level can be particularly susceptible to unjust demands from corrupt government authorities. Even large companies able to rebuff attempts to solicit bribes can be confronted by a situation in which they are at a competitive disadvantage compared to less scrupulous firms.

Hence, while some companies may participate in corrupt practices, either willingly to secure a competitive edge or due to perceived lack of alternatives, the private sector can also play a pivotal role in driving transformation by promoting corporate integrity (UNODC, 2013b). There are local initiatives, for example the [Thailand Private Sector Collective Action Against Corruption](#), which promotes voluntary anti-corruption standards among its members and offers a certification programme. In addition, there are global level initiatives, such as the UN Global Compact (a voluntary initiative to promote corporate anti-corruption, among others) or [the B Team](#), which is an initiative founded by a group of business leaders focused on driving positive change in the private sector, including promoting open public procurement.

Governments can support business integrity in public procurement through the establishment of sanctions and rewards, which have potential to

strengthen the commitment of suppliers to ethical business practices, their compliance with laws and regulations, and their dedication to providing quality goods and services. Since efforts to combat corruption represent a form of business investment, efforts by companies to establish integrity measures compete for limited resources with other types of investment. To influence this investment choices towards anti-corruption, governments can use a mix of enforcement sanctions and good practice incentives (UNODC, 2013b).

The appropriate combination of sanctions and incentives will differ depending on a state's legal framework, institutional capacity, resources, and constraints. Considering the specific needs and circumstances of businesses according to their size and level of experience also requires flexibility. Additionally, initiatives like integrity pacts and business code programs aimed at enhancing integrity within specific projects or sectors can serve as beneficial supplements to conventional enforcement activities, particularly in situations where the likelihood of detection and prosecution is minimal (UNODC, 2013b).

Sanctions

Sanctions that meet the criteria of being efficient and appropriate deterrents are a fundamental requirement of UNCAC. They apply to both individuals and companies found guilty of corruption. In general, sanctions act as an effective deterrent when they penalise wrongdoing, seize illicit profits from corrupt activities, and enhance prevention measures within an organisation. Sanctions should be proportionate to the size of the enterprise, as well as the seriousness of the offense committed and its resulting harm. States can employ various types of sanctions, including:

1. Financial penalties: These can include fines and fees imposed on companies for non-compliance with laws and regulations.
2. Criminal sanctions: In cases of illegal activity, individuals within a company can face criminal charges, which can result in imprisonment or criminal fines.
3. Civil sanctions: Companies may face lawsuits that can lead to damages or restitution payments if they are found to have violated civil laws or harmed parties.
4. Regulatory sanctions: Regulatory bodies can impose restrictions or conditions on a company's operations, which might include suspension or revocation of licenses, limitations on business activities, or increased oversight.
5. Trade sanctions: These can restrict a company's ability to engage in trade, such as import or export bans, which can be applied to those found in violation of trade regulations or embargoes.
6. Exclusion from public procurement: Governments can exclude companies that show a lack of integrity from bidding on public contracts on a temporary or permanent basis, typically for legal or ethical violations.
7. Compliance orders: Requiring a company to take certain actions to correct past misconduct or prevent future breaches, such as implementing new policies or undergoing training.
8. Adverse publicity: While not always a formal sanction, states can release information about a company's misdeeds to the public, which can have reputational and financial impacts.

Incentives

To foster integrity among companies, States can also offer various types of incentives that reward companies for upholding ethical standards and engaging in best practices to curb corruption.

These incentives can encourage voluntary compliance and good corporate citizenship. Some types of incentives include:

1. Penalty mitigation: Offering reduced penalties for companies that self-report violations or demonstrate sincere efforts to prevent corruption through effective compliance programs.
2. Procurement preferences: Providing advantages to companies with robust integrity systems in place, such as giving preferential consideration during the bidding process for government contracts.
3. Preferential access to government benefits: Granting companies that can demonstrate strong ethical practices preferential access to government support or services, such as "fast-track" access to customs services or preferential export credit support.
4. Tax incentives: Implementing tax benefits for companies investing in quality anti-corruption systems, controls, or ethical business practices, such as deductions or credits for related expenses.
5. Reputational benefits: Publicly acknowledging a company's commitment to integrity and ethical practices through awards, certifications, or inclusion on "white lists" that recognise good corporate behaviour.
6. Whistle-blower awards: Offering financial rewards to individuals who provide high-quality information that leads to successful enforcement against corruption.
7. Training and certification support: Aiding companies in training their employees in anti-corruption and offering certification for those that meet ethical and compliance standards.
8. Public sector reforms: Engaging with the private sector to reform public administration and reduce corruption opportunities, which can, in turn, benefit companies by creating a more level playing field.
9. Recognition and publicity: Featuring ethical companies in media releases, speeches, or through official commendations to increase positive recognition in the market.
10. Access to partnership opportunities: Providing opportunities for companies that demonstrate strong ethical values to partner with the government on various projects or initiatives.

Professionalisation of procurement officials and organisational policies

Building the capacity and expertise within public sector entities is crucial, as evidence shows that officials' skills are an important determinant of the efficiency of administering procurement contracts (Rasul & Rogger, 2015; Thai, 2004). For example, the development of procurement courses for public officials is found to have delivered positive results consistently across 20 studies, suggesting that ensuring that staff at procuring bodies are sufficiently trained is central to successful reform (Telgen, Krift & Wake, 2016). Moreover, providing training and capacity building opportunities for staff can also serve as an incentive, empowering them to carry out their roles with professionalism and adherence to ethical standards (OECD, 2013a). Indeed, given the complex and changing nature of public procurement regulations and IT systems, it is crucial to invest in the professionalisation of procurement officials to enhance their understanding and ensure ongoing compliance.

Rule-bound vs. discretionary decision-making

Discretionary decision making in public procurement grants procurement administrators the freedom to make decisions guided only by general principles of good governance, such as civil service code of conduct and organisational culture (Kelman, 1990). Rule-bound decision making, on the other hand, restricts this freedom throughout the entire procurement cycle (Rasul & Rogger, 2015).

Highly regulated procedures that prioritise competition in place of practices driven by convenience – such as repeatedly using the same supplier – are expected to lower corruption and may be preferred in politicised bureaucracies even though they might decrease value for money (Coviello, Guglielmo & Spagnolo, 2015). On the

other hand, discretionary decision-making is believed to produce better value for money because it can facilitate the selection of more productive suppliers while reducing transaction costs considerably and allowing room for negotiations with reputable suppliers leading to better formulated and enforceable contracts.

The level of contract complexity is a core consideration in determining whether rule-bound decision-making processes (e.g. auctions) or discretion (e.g. negotiated procedures) lead to better outcomes (Bajari et al., 2009). However, it is evident that not all rules or forms of discretion are the same. The effectiveness significantly depends on matching suitable rules with specific tenders and contracts. In practice, this means that before selecting a procurement procedure, procurement officials should carefully assess the complexity of the contract. Factors such as the scope of work, technical requirements, delivery schedules, and potential risks should be considered. For relatively straightforward contracts with well-defined specifications and low risk, rule-bound decision-making processes like auctions or competitive bidding may be appropriate.

In contrast, contracts with higher levels of complexity or uncertainty may benefit from discretionary procedures such as negotiated procedures or competitive dialogues. These procedures allow for more flexibility in negotiations, customisation of solutions, and consideration of qualitative factors beyond price alone. Discretionary procedures are particularly useful when innovation, expertise, or collaboration with suppliers is needed to achieve project objectives.

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