# Global procurement responses to COVID-19: how to do better in an emergency

# October 2020

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# Introduction

Throughout the COVID-19 pandemic, governments around the world have been forced to procure essential goods and services quickly, in order to save lives. Some procurement agencies have also recognized that being transparent about emergency purchasing is crucial to discouraging corruption, ensuring market confidence, and maintaining public trust. Accordingly, they have established new portals or websites for disclosing contracting data relating to coronavirus procurement.

In some particularly instructive and important cases detailed within this report, higher levels of transparency have meant that the "accountability feedback loop" surrounding public procurement decisions has been accelerated during the crisis. Within this cycle, ministries buy goods, procurement authorities disclose data, observers (auditors, civil society organizations and journalists) use this open data to identify irregularities, and governments and authorities take corrective actions.

Organizations and news outlets including Open Contracting Partnership (OCP), Transparency International, Observatorio Fiscal (Chile), *Datasketch* (Colombia), *La Nación Data* (Argentina) and Red PALTA (Latin America), Dataphyte (Nigeria), and Integrity Watch Afghanistan - to name just a few - have worked hard to push public contracting issues up the political agenda. Civil society organizations (CSOs) and journalists worldwide

have been keenly monitoring government purchases throughout the pandemic; drawing attention to overpayments for medical goods, contracts signed with unsuitable suppliers and even cases of possible grand corruption.

Following some of these investigations, prosecutors have opened inquiries,<sup>1</sup> officials have been removed from their posts,<sup>2</sup> and governments have taken further steps to ensure transparency. For example, one of our interviewees in Argentina noted that the government responded to one highly critical *La Nación Data* report by allowing emergency purchases to be made via the government's electronic procurement portal, making them easier to disclose.<sup>3</sup>

Elsewhere, however, the process of data disclosure and problem identification has been too slow. Governments and oversight agencies are taking corrective measures weeks or even months after errors occur, if at all. For instance, the UK National Audit Office's report into the Ayanda Capital scandal (a case where the UK government bought 50 million sub-standard facemasks) is only set to be published at the end of 2020, months after the contract was signed in April.<sup>4</sup>

By this point, governments' corrective actions become damage control; presented to public authorities as punitive and accompanied by bad press and public anger. This model risks framing transparency itself as a punishment

<sup>1</sup> CIPER. (2020). Los datos que analiza la FNE por posible colusión: sector público paga \$500 por mascarillas que antes costaban \$13. https://www.ciperchile.cl/2020/06/18/los-datos-que-analiza-la-fne-por-posible-colusion-sector-publico-paga-500-por-mascarillas-que-antes-costaban-13/

<sup>2</sup> Cabot, D. (2020). Total, paga el Estado. La ineficiencia en las compras que genera sobreprecios y corrupción. La Nación Data. https://www.lanacion.com.ar/economia/total-paga-estado-la-ineficiencia-compras-genera-nid2353052

<sup>3</sup> Ibia

<sup>4</sup> Jack, A., Dodd, D. (2020). FT Health: Holding governments to account for Covid-19 response. Financial Times. https://www.ft.com/content/2c4bbec0-b1c9-4a91-8d8e-abc61b843c6a

to government, disincentivizing officials from pursuing open data reforms. In contrast, quicker systems of data disclosure and reaction can act as - and be framed as - processes of collaborative problem-solving, geared towards governments getting the right outcomes from their actions during a crisis. We assume that this is what procurement officers strive for in the majority of cases.

In response to irregularities in emergency procurement such as the Ayanda Capital scandal, we at Oxford Insights have reviewed how various CSOs and journalists internationally have accessed and analyzed emergency contracting data, and the responses that they have encouraged. This report was produced as an extension of Oxford Insights' midterm review of Open Contracting Partnership (OCP)'s work funded by the BHP Foundation, under a grant that runs from 2017 to 2022. When the COVID-19 pandemic began to spread globally in early 2020, we identified a need to pay specific attention to open contracting issues during the crisis, in addition to our principal evaluation.<sup>5</sup> Building off our findings, we have proposed a menu of possible recommendations for governments hoping for better procurement outcomes, even when making decisions under intense pressure.

These recommendations are classified under OCP's different impact areas, each of which speaks to different users and use cases. If you are, for example,

- a buyer in a healthcare procurement agency looking to ensure that the personal protective equipment (PPE) you order is fit for purpose, look at the **improved service delivery** recommendations;
- working in a central procurement authority setting out a cross-government approach to procurement, and wanting to pay the right price for items, look at the **better** value for money section;
- a policy-maker in central government worried that the public is losing trust in government, or an auditor holding the government to account, consider our summaries under improved public integrity:
- a supplier feeling excluded from current business opportunities with government, or an official in an economic planning ministry looking to direct business towards SMEs during the economic recovery from coronavirus, look at our final focus on increased business competition.

We further group these recommendations into those that can be quickly implemented amid an emergency ("immediate" recommendations), and those that we expect will take longer to put in place, likely involving legislative change or digital transformation projects ("forward-looking" recommendations). The latter are likely to be more difficult to achieve in places where procurement remains paper-based, or where a government's adoption of new technologies is low.<sup>6</sup>

<sup>5</sup> Following the focus areas of our wider evaluation, this report considers procurement responses in Chile; Colombia (national government); Argentina (federal government); the City of Buenos Aires; the UK (central government); Afghanistan; Nigeria (federal government); Australia; Honduras; Mexico (federal government), and, Mexico City.

<sup>6</sup> For further information on how procurement policy responses might be prioritized in an emergency, see the Organization for Economic Cooperation and Development (OECD)'s report, which classes policies into 3 levels of urgency; "re-act" "re-assess" and "re-build".

# Methodological note

To inform our investigation, we conducted extensive desk research, paying specific attention to how journalists and CSOs have used open data in COVID-19 procurement investigations. In some cases, they have used open contracting data released on a dedicated government portal or website. This is the case in Nigeria, for example, where a simple table released on the Bureau of Public Procurement's Nigerian Open Contracting Portal (NOCOPO) website provides data in seven fields. In Honduras, the journalist Alex Flores uncovered potential conflicts of interest in the purchases of mobile hospitals, having examined contracts released by the strategic investment body INVEST-Honduras on a coronavirus transparency portal set up by the Institute of Access to Public Information (IAIP).7

In other cases, we found that the specific methods of data analysis were not stated, particularly in news articles. Therefore, we also spoke directly to four people across civil society involved in some of these investigations, to gain a deeper insight into how civil society has used open contracting data to identify irregularities in procurement during the pandemic. For instance, interviewees in Argentina and Colombia told us that they had manually built their own databases of coronavirus contracts by examining the official procurement bulletin or PDF releases of contracts. In Colombia, though, participants did emphasize that Colombia Compra Eficiente's emergency procurement transparency portal was useful in pointing them towards which contracts they wanted to analyze further.

Given that this report forms part of a midterm evaluation of OCPs work funded by the BHP Foundation, it focuses on the locations of OCP's work selected for that analysis. These are:

- Afghanistan (federal government);
- Argentina (federal government);
- Australia (federal government and regional government in New South Wales);
- Chile (federal government);
- the City of Buenos Aires;
- Colombia (federal government);
- Honduras (federal government);
- Nigeria (federal government);
- Mexico (federal government);
- Mexico City;
- Nigeria (federal government), and,
- The United Kingdom (Westminster government).

# Summary of open contracting data use cases during the COVID-19 pandemic

Location	Data source	Example data use cases	Outcomes
Chile	mercadopublico. cl, ChileCompra's e-procurement platform  Ministry of the Interior data (Reportes Hacienda)  Budget office data (portal DIPRES)	The Chilean body of investigative journalists CIPER oversaw procurement data published on mercadopublico.cl to identify gross inflation in the price of masks. <sup>8</sup> OCP partner Observatorio Fiscal (OF) monitored data published on several platforms to identify the mismanagement of medicines and state hospitals in Chile and cases of potential corruption linked to the state provision of hotels for those self-isolating. <sup>9</sup> OF also created a singular COVID-19 contracts portal, updated daily with data pulled from mercadopublico.cl.	Following the CIPER report and additional pressure from the Metropolitan Colleges of Midwives and Pharmaceutical Chemists, the Chilean government committed to an official investigation into PPE overpricing.  Government response to OF's coronavirus recommendations has so far been minimal.
Colombia	SECOP I Colombia Compra Eficiente's first e-procurement system SECOP II, CCE's newer, fully-transactional e-procurement system CCE's COVID-19 procurement portal	Journalists at <i>Datasketch</i> , part of the OCP-supported Red PALTA network, monitored data across all three platforms to identify cases of overspending, and public contracts with ties to Panama, where beneficial owners are difficult to track. <sup>10</sup> Elsewhere, the Instituto Anticorrupción monitored 750,000 emergency contracts on SECOP II, revealing that 30% were awarded to "multipurpose" companies, which lack expertise. <sup>11</sup>	N/A

<sup>8</sup> Albert, C. and Jara, M. (2020). Los datos que analiza la FNE por posible colusión: sector público paga \$500 por mascarillas que antes costaban \$13. CIPER. https://ciperchile.cl/2020/06/18/los-datos-que-analiza-la-fne-por-posible-colusion-sector-publico-paga-500-por-mascarillas-que-antes-costaban-13/

<sup>9</sup> Yarza, B. (2020). Gestión de fármacos en las instituciones de salud del Estado. Observatorio Fiscal. <a href="https://observatoriofiscal.cl/Informate/Repo/Gestion-de-farmacos-en-las-instituciones-de-salud-del-Estado">https://observatoriofiscal.https://observatoriofiscal.https://observatoriofiscal.https://observatoriofiscal.https://observatoriofiscal.https://observatoriofiscal.cl/Informate/Repo/transparencia-del-gasto-en-el-contexto-COVID19</a>; Mora, J. (2020). Análisis de compras de residencias sanitarias. Observatorio Fiscal. <a href="https://observatoriofiscal.cl/Informate/Repo/Analisis-de-compras-de-residencias-sanitarias-en-la-Informate/Repo/Analisis-de-compras-de-residencias-sanitarias-en-la-Informate/Repo/Analisis-de-compras-de-residencias-sanitarias-en-la-Informate/Repo/Analisis-de-compras-de-residencias-sanitarias-en-la-Informate/Repo/Analisis-de-compras-de-residencias-sanitarias-en-la-Informate/Repo/Analisis-de-compras-de-residencias-sanitarias-en-la-Informate/Repo/Analisis-de-compras-de-residencias-sanitarias-en-la-Informate/Repo/Analisis-de-compras-de-residencias-sanitarias-en-la-Informate/Repo/Analisis-de-compras-de-residencias-sanitarias-en-la-Informate/Repo/Analisis-de-compras-de-residencias-sanitarias-en-la-Informate/Repo/Analisis-de-compras-de-residencias-en-la-Informate/Repo/Analisis-de-compras-de-residencias-en-la-Informate/Repo/Analisis-de-compras-de-residencias-en-la-Informate/Repo/Analisis-de-compras-de-residencias-en-la-Informate/Repo/Analisis-de-compras-de-residencias-en-la-Informate/Repo/Analisis-de-compras-de-residencias-en-la-Informate/Repo/Analisis-de-compras-de-residencias-en-la-Informate/Repo/Analisis-de-compras-de-residencias-en-la-Informate/Repo/Analisis-de-compras-de-residencias-en-la-Informate/Repo/Analisis-de-compras-de-residencias-en-la-Informate/Repo/Analisis-de-compras-de-residencias-en-la-Informate/Repo/Analisis-de-compras-de-residencias-en-la-Informate/Repo/Analisis-de-compras-de-residencias-en-la-Informate/Repo/Analisis-de-compras-de-residencias-en-la-Informate/Repo

<sup>10</sup> Galvis, J., Romero, J. (2020). Tapabocas con sobreprecios y algunas empresas con nexos en Panamá en contratos de COVID-19. El Espectador. <a href="https://www.elespectador.com/noticias/salud/mascarillas-con-sobreprecios-y-algunas-empre-sas-con-nexos-en-panama-en-contratos-de-covid-19/">https://www.elespectador.com/noticias/salud/mascarillas-con-sobreprecios-y-algunas-empre-sas-con-nexos-en-panama-en-contratos-de-covid-19/</a>

<sup>11</sup> El Espectador. (2020). "Contratistas multipropósito", otra cara de la pandemia". <a href="https://www.elespectador.com/noticias/nacional/contratistas-multiproposito-otra-cara-de-la-pandemia/">https://www.elespectador.com/noticias/nacional/contratistas-multiproposito-otra-cara-de-la-pandemia/</a>

Argentina and the City of Buenos Aires	Data published on the Official Gazette of the Nation (el Boletín Oficial)  Compr.ar, a further government e-procurement platform	OCP partner <i>La Nación Data</i> has published a series of reports into emergency procurement, identifying cases of government overspending during the pandemic.  Poder Ciudadano has compiled data from compr.ar and <i>el Boletín Oficial</i> to create a COVID-19 contracting observatory.  News outlet <i>Infobae</i> monitored data published on <i>el Boletín Oficial</i> to reveal that the Government of Buenos Aires bought 1,600 out of date masks from an unqualified supplier. <sup>12</sup>	Following a <i>La Nación Data</i> investigation into the overpricing of foodstuffs, 15 officials were removed from their posts. <sup>13</sup> The government also released a policy note, committing to respecting maximum pricing lists. <sup>14</sup> As a result of <i>Infobae</i> 's investigation, one government official was forced to resign and the City Government has launched an official investigation into the case.
United Kingdom	Contracts Finder, the UK government's central e-procurement platform	News outlets <i>The Times</i> , <i>The Guardian</i> and <i>Financial Times</i> monitored data published on Contracts Finder to identify direct awards made during the pandemic, including to companies with ties to government.  The Good Law Project also launched a legal case against the government, after uncovering a contract published on Contracts Finder made to Ayanda Capital, an inexperienced company with nefarious links to the government, that failed to provide adequate PPE. <sup>15</sup>	The UK National Audit Office is currently investigating the Ayanda Capital case. A resulting report is set to be published at the end of 2020.
Afghanistan	AGEOPS, the Afghan government's central e-procurement platform  Paper contracting documents	Integrity Watch Afghanistan (IWA) has been monitoring AGEOPS for COVID-19 contracting data, criticizing the lack of data published, and calling for the Supreme Audit Office to be granted the power to oversee emergency procurement. <sup>16</sup> News outlet 8am uncovered paper documents, revealing that medical goods bought by the government were overpriced. <sup>17</sup>	N/A

<sup>12</sup> Pizzi, N. (2020). Confirmaron que los 1.600 barbijos que compró el gobierno de la Ciudad de Buenos Aires estaban vencidos desde hace cuatro años. *Infobae*. <a href="https://www.infobae.com/politica/2020/04/27/confirmaron-que-los-1600-barbijos-que-compro-el-gobierno-de-la-ciudad-de-buenos-aires-estaban-vencidos-desde-hace-cuatro-anos/">https://www.infobae.com/politica/2020/04/27/confirmaron-que-los-1600-barbijos-que-compro-el-gobierno-de-la-ciudad-de-buenos-aires-estaban-vencidos-desde-hace-cuatro-anos/</a>

<sup>13</sup> Cabot, D. (2020). Total, paga el Estado. La ineficiencia en las compras que genera sobreprecios y corrupción. La Nación Data. https://www.lanacion.com.ar/economia/total-paga-estado-la-ineficiencia-compras-genera-nid2353052

<sup>14</sup> República Argentina, (2020). Comunicación General ONC No. 8/2020 https://comprar.gob.ar/Repositorio/Resoluciones/NO-2020-24714817-APN-ONC\_JGM.pdf

<sup>15</sup> Smith, P. (2020). Ayanda Capital Facemasks Contract: Were Basic Procurement Principles Forgotten?. Bad Buying Blog. <a href="https://badbuying.com/ayanda-capital-facemasks-contract-were-basic-procurement-principles-forgotten/">https://badbuying.com/ayanda-capital-facemasks-contract-were-basic-procurement-principles-forgotten/</a>

<sup>16</sup> Integrity Watch Afghanistan. (2020). Open budgeting and contracting as trust-building vehicles in the time of COVID-19. https://iwaweb.org/spotlight/open-budgeting-and-contracting-as-trust-building-vehicles-in-the-time-of-covid-19/

<sup>17</sup> Beyazad, M. (2020). Millions of Corruption in the Fight Against Coronavirus. 8am. <a href="https://8am.af/millions-of-corruption-in-the-fight-against-coronavirus/https://8am.af/millions-of-corruption-in-the-fight-against-coronavirus/https://8am.af/millions-of-corruption-in-the-fight-against-coronavirus/https://8am.af/millions-of-corruption-in-the-fight-against-coronavirus/https://8am.af/millions-of-corruption-in-the-fight-against-coronavirus/https://8am.af/millions-of-corruption-in-the-fight-against-coronavirus/https://8am.af/millions-of-corruption-in-the-fight-against-coronavirus/https://8am.af/millions-of-corruption-in-the-fight-against-coronavirus/https://8am.af/millions-of-corruption-in-the-fight-against-coronavirus/https://8am.af/millions-of-corruption-in-the-fight-against-coronavirus/https://8am.af/millions-of-corruption-in-the-fight-against-coronavirus/https://8am.af/millions-of-corruption-in-the-fight-against-coronavirus/https://8am.af/millions-of-corruption-in-the-fight-against-coronavirus/https://8am.af/millions-of-corruption-in-the-fight-against-coronavirus/https://8am.af/millions-of-corruption-in-the-fight-against-coronavirus/https://8am.af/millions-of-corruption-in-the-fight-against-coronavirus/https://8am.af/millions-of-corruption-in-the-fight-against-coronavirus/https://8am.af/millions-of-corruption-in-the-fight-against-coronavirus/https://8am.af/millions-of-corruption-in-the-fight-against-coronavirus/https://8am.af/millions-of-corruption-in-the-fight-against-coronavirus/https://8am.af/millions-of-corruption-in-the-fight-against-coronavirus/https://8am.af/millions-of-corruption-in-the-fight-against-coronavirus/https://8am.af/millions-of-corruption-in-the-fight-against-coronavirus/https://8am.af/millions-of-corruption-in-the-fight-against-coronavirus/https://8am.af/millions-of-corruption-in-the-fight-against-coronavirus/https://8am.af/millions-of-corruption-in-the-fight-against-coronavirus/https://8am.af/millions-of-corruption-in-the-fight-against-coronavirus/https://8am.af/millions-of-corrupti

Nigeria	NOCOPO, the Nigerian Bureau of Public Procurement's online portal  The Nigerian Open Treasury Data portal  Budeshi, an online open contracting tool launched by The Public and Private Development Centre, a Nigerian CSO	Dataphyte used data from NOCOPO and the Open Treasury Portal to draw attention to the fact that some MDAs have flouted BPP regulations to award contracts to inexperienced and unverified contractors outside of the approved database. 18  CSOs such as the PPDC, Connected Development (CODE) and BudgIT Nigeria have all paid close attention to COVID-19 contracting, with CODE creating a #FollowCovid19Money hashtag alongside the iFollowTheMoney initiative to promote further transparency across the wider African continent.	Following PPDC analyses of COVID-19 procurement, several MDAs have begun to publish more contract information. <sup>19</sup>
Australia	Austender, Australia's centralized e-procurement platform	Journalists from <i>The Guardian</i> monitored data released on Austender, which identified direct awards made for a COVID-19 communications campaign which they deemed ineffective. <sup>20</sup>	N/A
Honduras	Invest-H coronavirus procurement portal	Journalist Alex Flores oversaw data published on the Invest-H COVID-19 portal to identify potential conflicts of interest and financial mismanagement, specifically linked to the purchase of mobile hospitals. <sup>21</sup> The CSO La Asociación para una Sociedad más Justa (ASJ) also carried out an audit of Invest-H, using data from the same portal. They criticized Invest-H's overly rushed purchasing and lack of emergency procurement protocols, inviting the Honduran Ministry of Health to take more responsibility for emergency contracting decisions. <sup>22</sup>	Following these investigations, the director of Invest-H was asked to leave his role and is currently under investigation for corruption charges. <sup>23</sup>
Mexico and Mexico City	Quienesquien.wiki Compra.net	OCP civil society partner Proyecto Poder tracked coronavirus contracts using their quienesquien.wiki tool, revealing that few were published on government platforms. <sup>24</sup> News outlets <i>EMEEQUIS</i> and <i>El Malpensado</i> have identified several direct awards made to companies with links to government during the pandemic, by monitoring data published on compra.net. <sup>25</sup>	The National Institute of Transparency, Access to Information and Protection of Personal Data created a microsite of COVID-19 contracts, and agreed to reimplement deadlines for responding to FOI requests which had previously been scrapped. <sup>26</sup>

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# Summary of our recommendations to government and auditors

Following on from our own research, and taking inspiration from the open data use cases detailed above, we have set forth a series of actionable recommendations which governments and procurement authorities can take to make public contracting more transparent, fair and efficient during a state of emergency such as the COVID-19 pandemic. These are summarised briefly below. For a more comprehensive detailing of our recommendations, see the main section of our report, beginning on page 11.

# 1. Recommendations for **improved** service delivery

#### Short-term

- 1a. Buyers should invest more time during the planning and tendering phases of the procurement process. Even during an emergency when quick delivery of items is crucial, they should rigorously research and clearly outline item or service specifications, and check suppliers' quality certificates before a contract is signed off.
- 1b. To allow problem-identification by CSOs and journalists, procurement authorities should disclose emergency procurement data earlier in the tendering process, arguably even making selection criteria and specifications available to the public two or three days before a contract is signed.
- 1c. Once a contract is signed, especially in an emergency, buyers must conduct internal quality checks on item specifications and supplier performance to ensure the quality of goods and services procured. Assuring this process is potentially a role for internal audit bodies as well.

# Forward-looking

- 1d. Governments should publish clearly defined emergency procurement strategies, with provisions for flexibility, which can be quickly implemented during a crisis. Planning for this should involve creating an emergency procurement team, establishing a group of prequalified suppliers for certain items (such as PPE), and introducing procurement to National Disaster Preparation plans.
- 1e. Governments should grant external auditors, such as supreme audit institutions (SAIs), the power to carry out real-time audits of emergency procurement.
- 1f. Procurement authorities should shift to fully digitalized auditing systems to facilitate internal and external audits during a state of emergency, as onsite auditing is often limited by social distancing protocol.

# 2. Recommendations for better value for money

## Short-term

- 2a. Procurement authorities should introduce pricing lists and price caps on key items and services related to the pandemic (and other emergencies), with prices high enough to respond to market conditions but low enough to prevent gross overspending.
- 2b. Procurement authorities should implement framework agreements for emergency purchases, setting out contractual terms and price caps with a "pool" of approved

- suppliers before a tender begins. It is also important to disclose individual transactions called off from these agreements.
- 2c. Procurement authorities should pay more attention to contract design, even when time is short during emergencies, creating mechanisms such as "cost-plus" pricing models or clawback provisions to protect themselves from companies unable to fulfill specifications, or looking to profit excessively from a crisis.

# **3.** Recommendations for **increased public integrity**

#### Short-term

- 3a. Governments should facilitate independent audits (by supreme audit institutions) and social audits (by civil society organizations) by publishing open data, preferably in OCDS format, and creating mechanisms by which irregularities in procurement can be reported to government.
- 3b. Governments should implement stricter sanctions, such as fines, for illegal or underperforming companies and public servants during a state of emergency, strengthening their stance against corruption and inefficient use of public funding.

# Forward-looking

- 3c. In preparation for future emergencies, national procurement authorities should work towards publishing all contracting data on a single, unified open data portal to improve data accessibility for the average citizen, journalists and CSOs. In the knowledge that contracts are open to public scrutiny, procurement authorities are more likely to hold themselves to higher standards.
- **4.** Recommendations for **increased business competition**

#### Short-term

4a. Governments should maintain transparent tendering practices during the pandemic in order to maintain a competitive marketplace; a lack of transparency severely risks cooling the market at a time when the economy is already unstable.

# Forward-looking

4b. In the future, procurement authorities should consider using reverse auction technology to allow quick competition, whilst clearly outlining quality specifications and maximum price caps.

# Main report





# Global procurement responses to COVID-19: how to do better in an emergency

In this main section of the report, we draw attention to some of the problems with emergency procurement identified by CSOs and journalists across the countries involved in OCP's work under the BHP Foundation grant. Our "problem identification" case studies serve to contextualize and justify the need for the implementation of our recommendations, which are also presented in further detail below.

Our case studies and recommendations are all classified according to different use-cases, under OCP's impact areas of **improved service delivery**, **better value for money**, **increased public integrity**, and **increased business competition**.

## 1. Improved service delivery

#### Problem identification

A commonly identified problem within COVID-19 emergency procurement has been the provision of sub-standard PPE, unsuitable for use during the pandemic. In the wake of the resulting scandals, governments have resorted to retrospective, punitive actions.

For instance, in Argentina, the news outlet *Infobae* monitored data published on the Official Gazette Of the Nation (in Spanish:

el Boletín Oficial), subsequently uncovering that the government of Buenos Aires bought 1,600 3M masks which were four years out of date from Green Salud, an inexperienced company with potential ties to government officials.<sup>27</sup> As a result, the Undersecretary of the Health System Administration was forced to resign and the Government of Buenos Aires has launched an internal investigation into the contract.

In a similar case in the United Kingdom, ministers have admitted to spending at least £150 million on 50 million face masks which did not comply with the National Health Service's standards.<sup>28</sup> A legal case brought by the Good Law Project, which uncovered the contract details in question on the UK's Contracts Finder portal, revealed that the inadequate masks were purchased from Ayanda Capital, a company with no prior history of selling PPE. This followed a deal brokered by a board member who is also an advisor to the UK's Department of International Trade. Ayanda has since claimed that it followed all government specifications outlined in the contracting portal.<sup>29</sup> The National Audit Office has launched an investigation into the contract, and is due to report findings at the end of 2020.30

<sup>27</sup> Pizzi, N. (2020). Confirmaron que los 1.600 barbijos que compró el gobierno de la Ciudad de Buenos Aires estaban vencidos desde hace cuatro años. *Infobae*. <a href="https://www.infobae.com/politica/2020/04/27/confirmaron-que-los-1600-barbijos-que-compro-el-gobierno-de-la-ciudad-de-buenos-aires-estaban-vencidos-desde-hace-cuatro-anos/">https://www.infobae.com/politica/2020/04/27/confirmaron-que-los-1600-barbijos-que-compro-el-gobierno-de-la-ciudad-de-buenos-aires-estaban-vencidos-desde-hace-cuatro-anos/</a>

<sup>28</sup> Kenber, B. (2020). 'Ministers waste £150m buying unusable masks from banker'. The Times. https://www.thetimes.co.uk/article/ministers-waste-150m-buying-unusable-masks-from-banker-5v8390xtp

<sup>29</sup> Smith, P. (2020). Ayanda Capital Facemasks Contract: Were Basic Procurement Principles Forgotten?. Bad Buying Blog. <a href="https://badbuying.com/ayanda-capital-facemasks-contract-were-basic-procurement-principles-forgotten/">https://badbuying.com/ayanda-capital-facemasks-contract-were-basic-procurement-principles-forgotten/</a>

<sup>30</sup> Jack, A., Dodd, D. (2020). FT Health: Holding governments to account for Covid-19 response. Financial Times. https://www.ft.com/content/2c4bbec0-b1c9-4a91-8d8e-abc61b843c6a

In all of these cases, greater transparency on specifications before contracts were signed, and better tracking of supplier data may have allowed observers to identify the errors. giving the government time to rectify them. As detailed below, under recommendation 3a., this was the case in Moldova. CSOs realized that the government was overbuying medical gowns, publicized the error, and the government reduced its order in response. While there were still major shortcomings with the Moldovan health procurement agency's approach to transparency, this case demonstrates that, with the right information, CSO pressure can push governments towards the right outcomes.

In addition to the provision of lowquality goods, shortages of PPE and vital medical equipment have been widely reported across the countries engaged in OCP's BHP Foundation Grant.

Equipment shortages have been identified in Nigeria, with journalists at Dataphyte using data from the Nigerian Open Treasury to report that there is only one ventilator per 1.2 million Nigerians, drawing attention to the lack of government spending on healthcare during 2019.<sup>31</sup>

Elsewhere, in Sonora, Mexico, journalists at *El Malpensado* examined contracting data published by the Mexican Social Security Institute (in Spanish: *Instituto Mexicano de Seguridad Social*, or IMSS). They went on to conduct interviews with key suppliers and

officials to gather further information. They identified a state contract for 50 ventilators which was directly awarded to a company with ties to a senior Mexican politician, with a 50% advance payment. Following this revelation, the IMSS canceled the contract, since the ventilators lacked touchscreens, and therefore did not meet the specification requirements. Consequently, four hospitals were left short of ventilators and four officials were fired.

In Buenos Aires, government officials were left similarly short-changed when they received only 150,000 facemasks after ordering 5 million from a company named E-ZAY. According to journalists at *Infobae*, who analyzed contracting data published in PDF format on Boletín Oficial, the company lacks legitimate contact details and has a number of past debts.35 On a national level, journalists at *Chequeado* have praised the Argentine government for sourcing ventilators from local suppliers, but have also noted that due to a lack of data transparency, it is hard to determine whether all ventilators have been delivered. Their report also cited the CSO Poder Ciudadano's analysis of COVID-19 contracting, which states that the government has only published details of 20% of emergency contracts.<sup>36</sup> The case is a timely demonstration of how monitoring service delivery is extremely difficult without open data.

<sup>31</sup> Akpede, B. (2020). COVID-19: Only One Ventilator Exist for Every 1.2 Million Nigerians. *Dataphyte*. <a href="https://www.dataphyte.com/covid-19-only-one-ventilator-exist-for-every-1-2-million-nigerians/">https://www.dataphyte.com/covid-19-only-one-ventilator-exist-for-every-1-2-million-nigerians/</a>

<sup>32</sup> Tamayo, R., El Malpensado (2020). En plena crisis, negociación fallida dejará al IMSS sin 50 ventiladores nuevos en Sonora. Zeta Tijuana. https://zetatijuana.com/2020/05/en-plena-crisis-negociacion-fallida-dejara-al-imss-sin-50-ventiladores-nuevos-en-sonora/

<sup>33</sup> Sánchez Ley, L. (2020). IMSS suspende a 4 funcionarios por compra de ventiladores a Bartlett. *Mexicanos Contra La Corrupción y La Impunidad*. https://contralacorrupcion.mx/imss-suspende-funcionarios-ventiladores-bartlett/

<sup>34</sup> Ibid.; Tamayo, R., El Malpensado (2020). En plena crisis, negociación fallida dejará al IMSS sin 50 ventiladores nuevos en Sonora. Zeta Tijuana. https://zetatijuana.com/2020/05/en-plena-crisis-negociacion-fallida-dejara-al-imss-sin-50-ventiladores-nuevos-en-sonora/

<sup>35</sup> Pizzi, N. (2020). La Ciudad de Buenos Aires pagó por adelantado \$170 millones por barbijos que nunca le entregaron. Infobae. https://www.infobae.com/politica/2020/05/14/la-ciudad-de-buenos-aires-pago-por-adelantado-170-millones-por-barbijos-que-nunca-le-entregaron/.

<sup>36</sup> Sohr, O., Manuel González, J. (2020). Respiradores: la Argentina tuvo ventajas por las compras locales, pero da poca información. Chequeado. https://chequeado.com/el-explicador/compras-de-respiradores-la-argentina-tuvo-ventajas-por-las-compras-lo-cales-pero-da-poca-informacion/; Poder Ciudadano. (2020). Poder Ciudadano le solicitó a la Auditoría General de la Nación que efectúe controles sobre las Compras públicas COVID-19. http://poderciudadano.org/poder-ciudadano-le-solicito-a-la-auditoria-general-de-la-nacion-que-efectue-controles-sobre-las-compras-publicas-covid-19/

# Recommendations for improved service delivery

In the wake of such scandals, we have examined data monitoring efforts from journalists and CSOs to compile a series of practical recommendations to help governments ensure the quality of future goods and services procured during the pandemic and other emergencies. These are:

#### Short-term

1a. Buyers should invest more time during the planning and tendering phases of the procurement process. Even during an emergency when quick delivery of items is crucial, they should rigorously research and clearly outline item or service specifications, and check suppliers' quality certificates before a contract is signed off.

As the Ayanda Capital scandal has made so clear, failing to invest enough time early on in the procurement process can have damaging consequences for government, even when buying at speed. If Ayanda Capital did indeed follow the specifications set out by the government, as the company has claimed, then the government should have prevented the scandal by providing the supplier with detailed and accurate specifications.

That is, buyers need to ensure that they have researched the necessary specifications for a certain item or service, and then communicate these effectively to potential suppliers, who can then ascertain whether or not they can comply with requirements. As journalists from *Supply Management* have emphasized, organizations sourcing PPE also need to bolster efforts to check suppliers' quality certificates to ensure that goods comply with required standards.<sup>37</sup>

One way that governments can make this process more time-efficient during an emergency would be to keep detailed records of supplier performance histories, allowing for authorities to quickly determine where any previous suppliers have underperformed in the past, and avoid contracting them during the state of emergency. By tracking supplier data carefully in advance of an emergency, procurement authorities can also enforce more stringent supplier specifications which cannot always be verified in the urgency of a crisis, checking a supplier's sustainability standards, for example.

1b. To allow problem-identification by CSOs and journalists, procurement authorities should disclose COVID-19 procurement data earlier in the tendering process, arguably even making selection criteria and specifications available to the public two or three days *before* a contract is signed.

By publishing more information on emergency contracts earlier in the procurement process, the government offers the wider accountability network the chance to actively help government prevent procurement irregularities, rather than uncovering errors after the fact.

While there are many ways to do this, OCDS in particular has the potential to be a valuable tool for buyers looking to better communicate these specifications, allowing them to set out item descriptions, classifications and quantities during tendering. This may be helpful even when a purchasing authority is planning a direct award: publishing some details of the planned direct tender for even two or three days before the award could allow external observers to identify and report errors in the specifications, allowing the government to take action.

**<sup>37</sup>** Green, W., Pratchett, L. (2020). Four things to know when sourcing PPE. *Supply Management*. <a href="https://www.cips.org/supply-management/analysis/2020/july/four-things-to-know-when-sourcing-ppe/">https://www.cips.org/supply-management/analysis/2020/july/four-things-to-know-when-sourcing-ppe/</a>

<sup>38</sup> Open Contracting Partnership. (2020). Release reference. https://standard.open-contracting.org/latest/en/schema/reference/#item

Crucially, data publishers complying carefully with OCDS at the tender stage would be obliged to publish their rationale for direct contract awards. This has been an issue in the UK where observers have argued that direct awards have been used too liberally: to give contracts to public opinion research firms, for example. Where there are good reasons for direct awards, purchasing authorities can avoid later controversy by setting these out early in the procurement process. Where there are not, this transparency requirement will hopefully discourage bad purchasing practices.

Finally, one interviewee reflected that while there may be sound commercial reasons for not immediately publishing the prices of direct awards (this would remove the government's leverage over other suppliers, for example), disclosing the *profits* made by a supplier on each item would be a useful tool for reducing excessive margins.<sup>40</sup>

1c. Once a contract has been signed, buyers must conduct internal quality checks on item specifications and supplier performance to ensure the quality of goods and services procured. Assuring this process is potentially a role for internal audit bodies as well.

For example, La Asociación para una Sociedad más Justa (ASJ)'s investigation into Invest-H, one of the Honduran government entities charged with COVID-19 procurement, has revealed that Invest-H did not carry out sufficient internal quality checks on mobile hospitals, nor did the agency verify the suitability of suppliers or

establish guarantees in purchase orders. This widened the scope for low-quality goods to be purchased by the government.<sup>41</sup> After monitoring the contract data and specifications published on Invest-H's Coronavirus procurement portal, ASJ called for the government to lead a full forensic audit of the procurement authority.

Buyers will be eager to purchase at pace during a situation such as the COVID-19 pandemic. Indeed, Invest-H responded to ASJ's report with the defense that it was the only agency "brave enough" to procure quickly during the crisis. However, ensuring that internal checking processes are not forgotten is essential to ensuring adequate service delivery and avoiding errors, even in a state of emergency.

Assuring these checks and processes is a role for government internal audit bodies, entities that have arguably been neglected as a topic of discussion during the coronavirus pandemic. In some cases, governments may not have a dedicated central internal audit team. We suggest that the coronavirus pandemic underscores the utility of governments setting up and empowering a body like the UK's Government Internal Audit Agency. 42 Such bodies will need to be given powers to quickly inspect and challenge how agencies are buying goods during crises. 43 Data sharing across government is also crucial here, with the value of OCDS to internal audit bodies during emergencies likely to be high, but underexplored.

**<sup>39</sup>** Geoghagan, P. and Conn, D. (2020). Revealed: Key Cummings and Gove ally given COVID-19 contract without open tender. *Open Democracy*. <a href="https://www.opendemocracy.net/en/dark-money-investigations/revealed-key-cummings-ally-given-840000-covid-contract-without-competition/">https://www.opendemocracy.net/en/dark-money-investigations/revealed-key-cummings-ally-given-840000-covid-contract-without-competition/</a>

<sup>40</sup> Interview with UK participant, August 2020.

**<sup>41</sup>** *ASJ Honduras.* (2020). Auditoría y veeduría de las compras por emergencia para combatir el COVID-19 <a href="https://asihonduras.com/covid19/informe\_resumen\_adquisiciones\_invest\_h.html">https://asihonduras.com/covid19/informe\_resumen\_adquisiciones\_invest\_h.html</a>

**<sup>42</sup>** Whitfield, J. (2018). Looking at Internal Audit through a new lens. *Civil Service Quarterly*. <a href="https://quarterly.blog.gov.uk/2018/07/06/looking-at-internal-audit-through-a-new-lens/">https://quarterly.blog.gov.uk/2018/07/06/looking-at-internal-audit-through-a-new-lens/</a>

<sup>43</sup> Deloitte. (2020). Internal Audit considerations in Response to COVID-19. <a href="https://ww2.deloitte.com/content/dam/Deloitte/uk/Documents/audit/deloitte-uk-internal-audit-response-to-covid-19.pdf">https://ww2.deloitte.com/content/dam/Deloitte/uk/Documents/audit/deloitte-uk-internal-audit-response-to-covid-19.pdf</a>; Bruce, S. (2017). Internal Audit: three lines of defence model explained. ICAS. <a href="https://www.icas.com/professional-resources/audit-and-assurance/internal-audit/internal-audit-three-lines-of-defence-model-explained">https://www.icas.com/professional-resources/audit-and-assurance/internal-audit/internal-audit-three-lines-of-defence-model-explained</a>

# Forward-looking

1d.Governments should publish clearly defined emergency procurement strategies which can be quickly implemented during a crisis. Planning for this should involve creating an emergency procurement team, establishing a group of prequalified suppliers for certain items (such as PPE), and introducing procurement to National Disaster Preparation plans.

The need for governments to publish clear and open emergency procurement strategies during the coronavirus pandemic has emerged as a central issue in some countries. In Honduras and Nigeria, for example, public procurement bodies have failed to publish any details of such plans, leaving the reasoning behind purchasing decisions markedly opaque.<sup>44</sup>

Having a clear emergency procurement strategy helps to improve service delivery by establishing criteria, frameworks and safeguards that procurement agencies and suppliers must comply with, even during a crisis. Although this preparation is essential, emergency procurement plans should also allow for a certain level of flexibility, albeit with defined parameters, to account for unforeseen circumstances. For example, in one case of good practice, the European Commission has published clear guidance on how to use the flexibilities offered by the EU public procurement framework.<sup>45</sup>

In the documents and investigations we reviewed, specific recommendations on what a COVID-19 emergency procurement strategy should include were lacking. Governments might therefore draw inspiration from an emergency procurement planning toolkit published by the World Bank in 2015. This recommends that all governments:

- create and allocate resources to an emergency procurement team;
- prepare lists of pre-qualified suppliers of frequently required emergency goods and liaise with suppliers to ensure readiness for mobilization (for example, tents for natural disasters, or PPE for a pandemic); and,
- mainstream procurement in emergency response planning; making sure that procurement is included in National Disaster Preparedness and Risk Reduction Plans.<sup>46</sup>

For those seeking additional guidance, the OECD has also released a <u>report</u> detailing potential emergency procurement strategies that promote both efficiency and fairness. Recommendations include conducting joint procurement initiatives, making good use of existing market intelligence on suppliers, and checking whether existing contracts can be renewed or extended before making a direct award. One additional emergency planning recommendation is to impose export bans or restrictions on key items, to prevent national shortages. According to OECD, 85 countries and customs territories have imposed such restrictions during the COVID-19 crisis.

<sup>44</sup> ASJ Honduras. (2020). Auditoría y veeduría de las compras por emergencia para combatir el COVID-19 <a href="https://asjhonduras.com/covid19/informe\_resumen\_adquisiciones\_invest\_h.html">https://asjhonduras.com/covid19/informe\_resumen\_adquisiciones\_invest\_h.html</a>; Adani, O. (2020). COVID-19 Funds: NCDC spends N202 million on six items without procurement plan. Dataphyte. <a href="https://www.icirnigeria.org/covid-19-funds-ncdc-spends-n202-million-on-six-items-without-procurement-plan/">https://www.icirnigeria.org/covid-19-funds-ncdc-spends-n202-million-on-six-items-without-procurement-plan/</a>

<sup>45</sup> OECD. (2020). Stocktaking report on immediate public procurement and infrastructure responses to COVID-19. <a href="http://www.oecd.org/coronavirus/policy-responses/stocktaking-report-on-immediate-public-procurement-and-infrastructure-responses-to-covid-19-248d0646/">http://www.oecd.org/coronavirus/policy-responses/stocktaking-report-on-immediate-public-procurement-and-infrastructure-responses-to-covid-19-248d0646/</a>

<sup>46</sup> World Bank. (2015). Emergency Procurement for Recovery and Reconstruction; A toolkit. <a href="http://pubdocs.worldbank.org/en/315691568908208946/Emergency-Procurement-for-Reconstruction-and-Recovery-Toolkit.pdf">http://pubdocs.worldbank.org/en/315691568908208946/Emergency-Procurement-for-Reconstruction-and-Recovery-Toolkit.pdf</a>

**<sup>47</sup>** *OECD.* (2020). COVID-19: Competition and emergency procurement. <a href="https://www.oecd.org/competition/COVID-19-competition-and-emergency-procurement.pdf">https://www.oecd.org/competition/COVID-19-competition-and-emergency-procurement.pdf</a>

<sup>48</sup> OECD. (2020). Public procurement and infrastructure governance: Initial policy responses to the coronavirus (Covid-19) crisis. http://www.oecd.org/coronavirus/policy-responses/public-procurement-and-infrastructure-governance-initial-policy-responses-to-the-coronavirus-covid-19-crisis-c0ab0a96/#endnotea0z45

Some OCP partners have also suggested that specific emergency procurement strategies should be developed for different sectors. Observatorio Fiscal's report into medicine mismanagement in Chile identified problems with medicine supply chains in Chile, which were exacerbated by the pandemic, and recommends that a national multidisciplinary body be convened to coordinate drug policies.<sup>49</sup>

1e. Procurement authorities should grant external auditors, such as supreme audit institutions (SAIs), the power to carry out real-time audits of emergency procurement.

Beyond internal audits, OCP's partners have urged governments to grant external auditing bodies the power to audit emergency procurement, emphasizing that they should make contracting data available in order for these to take place. For example, in April, Integrity Watch Afghanistan (IWA) appealed to the government to allow the Supreme Audit Office to monitor emergency procurement during the COVID-19 pandemic, making their findings available to the public.50 The same month, Afghanistan's Minister of Finance and the governor of Afghanistan's central bank released a letter of intent, pledging to allow the Supreme Audit Office to review selected spending and publish a report of its findings in December 2020.

As respected external organizations, SAIs can have a key role in identifying cases of fraud, waste, and more general inefficiency in public procurement during a crisis. Moreover, they are uniquely positioned to maintain dialogue with those outside of government, taking into account various stakeholders' needs and expectations throughout the audit process.<sup>51</sup>

Investing in SAIs with the infrastructure to carry out real-time audits of government contracting data or reserves of key items in a state of emergency allows governments to identify and correct irregularities more quickly, thereby improving service delivery. For instance, during the Ebola pandemic, real-time audits conducted by the Supreme Audit Institution in Sierra Leone drew attention to the inadequate management of medical stores and fixed assets. The SAI's follow up reports identified a significant positive change in the government's internal control mechanisms.<sup>52</sup>

1f. Procurement authorities should shift to fully digitalized auditing systems to facilitate both internal and external audits during a state of emergency, when on-site auditing is limited.

Whilst it is accepted that canceling on-site audits might be necessary in the short term, given the social distancing precautions that both businesses and individuals are taking during the pandemic, the UK procurement news outlet, *Supply Management*, has encouraged procurement teams to digitalize, to allow remote auditing to take place during emergencies.<sup>53</sup>

Digitalized platforms can also enable governments and civil society to more accurately monitor reserves of goods relating to a crisis in real-time, which can help prevent shortages. In Ukraine, the online dashboard YouControl allows government auditors to collect data on the reserves of PPE and ventilators, forecasting potential shortages, allowing them to make quick yet informed procurement decisions. This information is also publicly available, meaning civil society has been able to coordinate donation efforts in line with existing stocks.

<sup>49</sup> Yarza, B. (2020). Gestión de fármacos en las instituciones de salud del Estado. Observatorio Fiscal. <a href="https://observatoriofiscal.cl/">https://observatoriofiscal.cl/</a> Informate/Repo/Gestion de farmacos en las instituciones de salud del Estado

<sup>50</sup> Integrity Watch Afghanistan. (2020). Open budgeting and contracting as trust-building vehicles in the time of COVID-19. https://iwaweb.org/spotlight/open-budgeting-and-contracting-as-trust-building-vehicles-in-the-time-of-covid-19/

<sup>51</sup> INTOSAI Development Initiative. (2020). Accountability in a time of crisis. https://www.idi.no/en/covid-19/covid-19-paper

**<sup>52</sup>** *Ibid.* p, 9.

<sup>53</sup> Thaler, P. (2020). The dangers of reduced supplier audits during coronavirus. Supply Management. <a href="https://www.cips.org/sup-ply-management/opinion/2020/july/the-dangers-of-reduced-supplier-audits-during-coronavirus/">https://www.cips.org/sup-ply-management/opinion/2020/july/the-dangers-of-reduced-supplier-audits-during-coronavirus/</a>

To emulate the successes seen in Ukraine, governments would benefit from having a centralized and digitized stock-taking system, which can be easily updated to accurately reflect stocks. Using such a platform, procurement authorities would be able to monitor demand, and anticipate shortages of key items.

# 2. Better value for money

## Problem identification

Amidst unprecedented public spending, with the IMF urging people globally to prepare for "a crisis like no other," the coronavirus pandemic has emphasized the need for government contracts which represent good value for money. 54 One reoccurring issue identified by OCP partners across nearly all of the countries engaged within the scope of the BHP Foundation grant, is **the overpricing of goods and services relating to the coronavirus.** 

For example, the OCP-supported network of anti-corruption journalists, Red PALTA, conducted a report into PPE overpricing in Latin America. In June 2020, they revealed that governments in Mexico, Colombia, Peru, and Uruguay had purchased N95 masks at almost double their normal price; well-beyond the typical rates of coronavirus inflation. The investigation estimated that the governments in the report overspent a total of 282 thousand USD. In Afghanistan, too, journalists at 8am found that provincial governments were making inflated purchases of medical goods.

Elsewhere, in Chile, the Investigative Journalism Center (CIPER) documented that the public procurement authority CENABAST had paid CLP\$ 500 per unit for masks that used to cost CLP\$ 12.80 per unit - well beyond the average rates of inflation typical of the pandemic.<sup>57</sup> After a complaint was made to the National Economic Prosecutor's office by the Metropolitan Colleges of Midwives and Pharmaceutical Chemists, the Prosecutor's office launched an official investigation into the case.<sup>58</sup>

# Recommendations for value for money

Officials deliberately buying overpriced goods is a key vector for corruption: when officials have personal connections to owners of private companies, the excess cash can be redirected to them through shell companies and anonymous accounts. But there will also be many cases in which procurement authorities pay over the market price because they are operating at speed or have no leverage over suppliers in a seller's market.

To mitigate against both situations, procurement authorities should consider **the following actions:** 

#### Short-term

2a. Procurement authorities should introduce pricing lists and price caps on key items and services related to the pandemic (and other emergencies), with prices high enough to respond to market conditions but low enough to prevent gross overspending.

Transparency International's report on coronavirus procurement emphasizes that "contracting entities must provide justification,"

- 54 Georgieva, K. (2020). Confronting the Crisis, Priorities for the Global Economy. *International Monetary Fund*. <a href="https://www.imf.org/en/News/Articles/2020/04/07/sp040920-SMs2020-Curtain-Raiser">https://www.imf.org/en/News/Articles/2020/04/07/sp040920-SMs2020-Curtain-Raiser</a>
- 55 Cabral, E. (2020). Las Compras de la Pandemia: Opacidad y sin Competencia. Red PALTA. <a href="https://www.redpalta.org/post/las-compras-de-la-pandemia/">https://www.redpalta.org/post/las-compras-de-la-pandemia/</a>
- 56 8am (2020). Millions of corruption in the fight against coronavirus. https://8am.af/millions-of-corruption-in-the-fight-against-coronavirus/
- 57 Albert, C. and Jara, M. (2020). Los datos que analiza la FNE por posible colusión: sector público paga \$500 por mascarillas que antes costaban \$13. CIPER. <a href="https://ciperchile.cl/2020/06/18/los-datos-que-analiza-la-fne-por-posible-colusion-sector-publico-pa-ga-500-por-mascarillas-que-antes-costaban-13/">https://ciperchile.cl/2020/06/18/los-datos-que-analiza-la-fne-por-posible-colusion-sector-publico-pa-ga-500-por-mascarillas-que-antes-costaban-13/</a>.
- **58** *Ibid.*

review similar contracts and establish the basis upon which maximum prices for goods or services that they consider necessary to get through the contingency are established."59 Whilst some level of inflation on key items or services is to be expected during a global emergency when demand is high, price caps should be realistic to prevent gross overspending.

In one progress story from Argentina, efforts from OCP partners to uncover cases of overspending have resulted in an increased commitment from the government to comply with maximum pricing mechanisms. Following the investigation into the overpricing of foodstuffs bought in the city of Buenos Aires published by *La Nación Data*, which monitored contract pricing data published on *Boletín Oficial*, 15 officials were removed from their posts. <sup>60</sup> The Argentine government also released a policy note, stating that in no case should purchases related to the pandemic surpass the established maximum prices. <sup>61</sup>

Whilst governments have been responsive to pressure from civil society, a more proactive approach would involve publishing pricing lists early into a crisis, and ensuring compliance through strict sanctions for those who exceed them.

2b. Procurement authorities should implement framework agreements for emergency purchases, setting out contractual terms and price caps with a "pool" of approved suppliers before

# a tender begins. It is also important to disclose individual transactions called off from these agreements.

Some governments have implemented framework agreements, whereby purchasing authorities set out contractual terms and price caps with a "pool" of approved suppliers ahead of any specific purchase orders, for emergency procurement during coronavirus. This can save money and ensure quality control, even when procuring at pace. 62

This has been notable in Colombia, where the central procurement agency, Colombia Compra Eficiente (CCE), an important OCP partner, established a framework agreement to purchase PPE. This was underpinned by the transactional system *Tienda Virtual* (virtual store), which publishes contract data in the OCDS format. Talking to OCP, CCE's director-general said that the framework agreement had provided them with better data on "prices, quality and supply alternatives in a market with wide distortions, information asymmetries, demand pressures, and the rupturing of international supply chains." 44

Whilst our interviewees from Colombia stressed that direct awards and cases of corruption are still occurring during the pandemic - largely facilitated by data input issues, which make it hard for civil society to identify red flags - it is surprising that governments have not explored this approach more. They have, perhaps unnecessarily, risked future controversy by pursuing opaque direct awards.

- 59 Transparency International (2020). Public Procurement During States of Emergency: Minimum Requirements to Ensure the Integrity of Contracts Awarded During the Crisis. <a href="https://www.transparency.org/files/content/event/EN">https://www.transparency.org/files/content/event/EN</a> Latin America emergency procurement report Layout.pdf
- 60 Cabot, D. (2020). Total, paga el Estado. La ineficiencia en las compras que genera sobreprecios y corrupción. La Nación Data. https://www.lanacion.com.ar/economia/total-paga-estado-la-ineficiencia-compras-genera-nid2353052
- 61 República Argentina, (2020). Comunicación General ONC No. 8/2020 <a href="https://comprar.gob.ar/Repositorio/Resoluciones/NO-2020-24714817-APN-ONC\_JGM.pdf">https://comprar.gob.ar/Repositorio/Resoluciones/NO-2020-24714817-APN-ONC\_JGM.pdf</a>
- 62 OECD. (2020). Public procurement and infrastructure governance: Initial policy responses to the coronavirus (Covid-19) crisis. http://www.oecd.org/coronavirus/policy-responses/public-procurement-and-infrastructure-governance-initial-policy-responses-to-the-coronavirus-covid-19-crisis-c0ab0a96/; OCP. (2020). Open for business: Colombia's data-driven procurement reforms increase competition. https://www.open-contracting.org/2020/07/16/open-for-business-colombias-data-driven-procurement-reforms-increase-competition/.
- 63 Open Contracting Partnership. (2020). Open for business: Colombia's data-driven procurement reforms increase competition. https://www.open-contracting.org/2020/07/16/open-for-business-colombias-data-driven-procurement-reforms-increase-competition/
- **64** *Ibid.*

This is especially the case when emergency contracts have related to public opinion research or consultancy services, and not PPE. An interviewee in the UK objected to the likely government challenge that "urgency" demands direct awards, saying that:

You could have run a competition to run off a framework, you can do a call-off competition in days. There's no excuse for not at least doing this in some of these situations.<sup>65</sup>

A final, crucial, point is that individual transactions within framework agreements should also be proactively disclosed by governments: publishing data points within the "Implementation" phase of the Open Contracting Data Standard will support this. 66 This is so that observers can still verify that a single contractor is not receiving all the business under a framework agreement.

2c. Procurement authorities should pay more attention to contract design, even when time is short during emergencies, creating mechanisms such as "cost-plus" pricing models or clawback provisions to protect themselves from companies unable to fulfill specifications, or looking to profit excessively from crises.

In response to the Ayanda Capital scandal in the United Kingdom, procurement expert Peter Smith's *Bad Buying* blog has suggested that public procurement authorities return to the basic principles of procurement by exploring the possibility of using open book provision to identify factory costs for producing items like masks, and then setting a price. A similar "costplus" pricing model would allow procurement agencies to prevent suppliers from unfairly profiteering from the crisis by adding large profit margins to the basic price of production. <sup>67</sup>

Smith goes on to add that clawback provisions should be put in place, so the government can recover money lost if a supplier is unable to fulfill their contractual obligations, as happened with the Ayanda case in the UK.

With procurement officers under immense pressure to buy at speed, it is reasonable to assume that these simple contract management considerations have been neglected in many cases around the world. They further exemplify the benefits of proper planning before going to market, even during a global crisis. There is a consideration here for procurement authorities, too: mandating or encouraging the use of certain contract models could potentially be included in the emergency procurement policy notes that set out requirements at the beginning of a crisis.

# 3. Improved public integrity

#### Problem identification

During a time when governments are mobilizing large amounts of public funding tackling the COVID-19 crisis, public trust in government contracting is particularly important. Across many of the countries involved in OCP's work under the BHP Foundation grant, the coronavirus pandemic has created an appetite for civic monitoring of government contracts.

Moreover, our interviewees emphasized that governments are procuring quickly during the pandemic - as is to be expected, given the urgency of the situation - but also are abandoning regular procurement processes, broadening the scope for inefficiencies and corruption. One interviewee in Colombia even went so far as to say that the government was possibly extending the state of emergency, to allow procurement bodies to operate more freely, and with fewer transparency mechanisms.<sup>69</sup>

<sup>65</sup> Interview with UK participant, August 2020.

<sup>66</sup> See https://standard.open-contracting.org/latest/en/schema/reference/#implementation for these fields.

<sup>67</sup> Smith, P. (2020). Ayanda Capital facemasks contract - Were basic procurement principles forgotten? Bad Buying. <a href="https://badbuying.com/ayanda-capital-facemasks-contract-were-basic-procurement-principles-forgotten/">https://badbuying.com/ayanda-capital-facemasks-contract-were-basic-procurement-principles-forgotten/</a>

<sup>68</sup> Ibid

<sup>69</sup> Interview with a participant in Colombia, August 2020.

Civil society organizations, journalists, and open data activists have identified procurement irregularities and inadequacies across all of the countries engaged by OCP within the scope of the BHPF grant, damaging public trust in various procurement authorities. A non-exhaustive list of examples includes;

- Afghanistan, where journalists from the news outlet 8am uncovered paper documents which suggested the government had bought items related to COVID-19 at an inflated price, which was attributed to potential links between the companies contracted and government officials.<sup>70</sup>
- Journalists from La Nación Data in Argentina revealed that the city government of Buenos Aires procured overpriced masks from the mayor's halfsister, after conducting an investigation based on contract PDFs published on the Boletín Oficial. Two officials were asked to leave their posts following the investigation, and the mayor promised a new website for disclosing coronavirus contracts.<sup>71</sup>
- In Australia, The Guardian newspaper
  has implied that the government
  awarded lucrative contracts to private
  laboratories during the pandemic when
  state laboratories likely would have
  coped with demand. Contract data was

- not available on Austender, the central procurement portal until journalists requested it.<sup>72</sup>
- In Chile, OCP's partner organization
   Observatorio Fiscal has published a series
   of reports into coronavirus procurement,
   after monitoring data published by the
   Ministry of Finance on Reportes Hacienda,
   and the Chilean National Budget Office,
   to identify potential cases of corruption
   surrounding the state's provision of hotels
   for individuals self-isolating, and the
   large-scale mismanagement of Chilean
   hospitals.<sup>73</sup>
- In Colombia, Datasketch's analysis of the Ministry of Health's emergency contracts was published in the national newspaper El Espectador. Journalists monitored contracting data on CCE's emergency procurement portal and SECOP I and SECOP II, although due to problems with data inputting on the portals, they were forced to compile their own database from information gathered directly from contract PDFs.74 The resulting report revealed that six suppliers were registered in Panama, making it hard to track the companies' beneficial owners.75 Elsewhere, the Instituto Anticorrupción in Colombia monitored 750,000 emergency contracts, revealing that 30% were awarded to "multipurpose" companies, which lack expertise.76

<sup>70</sup> Beyazad, M. (2020). Millions of Corruption in the Fight Against Coronavirus. 8am. <a href="https://8am.af/millions-of-corruption-in-the-fight-against-coronavirus/https://8am.af/millions-of-corruption-in-the-fight-against-coronavirus/https://8am.af/millions-of-corruption-in-the-fight-against-coronavirus/https://8am.af/millions-of-corruption-in-the-fight-against-coronavirus/https://8am.af/millions-of-corruption-in-the-fight-against-coronavirus/https://8am.af/millions-of-corruption-in-the-fight-against-coronavirus/https://8am.af/millions-of-corruption-in-the-fight-against-coronavirus/https://8am.af/millions-of-corruption-in-the-fight-against-coronavirus/https://8am.af/millions-of-corruption-in-the-fight-against-coronavirus/https://8am.af/millions-of-corruption-in-the-fight-against-coronavirus/https://8am.af/millions-of-corruption-in-the-fight-against-coronavirus/https://8am.af/millions-of-corruption-in-the-fight-against-coronavirus/https://8am.af/millions-of-corruption-in-the-fight-against-coronavirus/https://8am.af/millions-of-corruption-in-the-fight-against-coronavirus/https://8am.af/millions-of-corruption-in-the-fight-against-coronavirus/https://8am.af/millions-of-corruption-in-the-fight-against-coronavirus/https://8am.af/millions-of-corruption-in-the-fight-against-coronavirus/https://8am.af/millions-of-corruption-in-the-fight-against-coronavirus/https://8am.af/millions-of-corruption-in-the-fight-against-coronavirus/https://8am.af/millions-of-corruption-in-the-fight-against-coronavirus/https://8am.af/millions-of-corruption-in-the-fight-against-coronavirus/https://8am.af/millions-of-corruption-in-the-fight-against-coronavirus/https://8am.af/millions-of-corruption-in-the-fight-against-coronavirus/https://8am.af/millions-of-corruption-in-the-fight-against-coronavirus/https://8am.af/millions-of-corruption-in-the-fight-against-coronavirus/https://8am.af/millions-of-corruption-in-the-fight-against-coronavirus/https://8am.af/millions-of-corruption-in-the-fight-against-coronavirus/https://8am.af/millions-of-corrupti

<sup>71</sup> Ruiz, I. et al (2020). Coronavirus: Rodríguez Larreta desplazó a dos funcionarios por compras de la ciudad. La Nación. <a href="https://www.lanacion.com.ar/politica/rodriguez-larreta-desplazo-dos-funcionarios-compras-del-nid2355673">https://www.lanacion.com.ar/politica/rodriguez-larreta-desplazo-dos-funcionarios-compras-del-nid2355673</a>

<sup>72</sup> Knaus, C. (2020). Coalition gave private pathology companies lucrative Covid contracts. *The Guardian*. <a href="https://www.theguardian.com/australia-news/2020/jun/01/coalition-gave-private-pathology-companies-lucrative-covid-contracts">https://www.theguardian.com/australia-news/2020/jun/01/coalition-gave-private-pathology-companies-lucrative-covid-contracts</a>

Yarza, B. (2020). Gestión de fármacos en las instituciones de salud del Estado. Observatorio Fiscal. <a href="https://observatoriofiscal.cl/Informate/Repo/Gestion">https://observatoriofiscal.cl/Informate/Repo/Gestion</a> de farmacos en las instituciones de salud del Estado; Henriquez, M. von Wolfersdoff, J. (2020). Seguimiento a recomendaciones de transparencia en el contexto COVID-19. Observatorio Fiscal. <a href="https://observatoriofiscal.cl/Informate/Repo/Transparencia">https://observatoriofiscal.cl/Informate/Repo/Transparencia</a> del gasto en el contexto COVID-19; Mora, J. (2020). Análisis de compras de residencias sanitarias. Observatorio Fiscal. <a href="https://observatoriofiscal.cl/Informate/Repo/Analisis">https://observatoriofiscal.cl/Informate/Repo/Analisis</a> de compras de residencias sanitarias

<sup>74</sup> Interview with participants in Colombia, 21/08/2020.

<sup>75</sup> Galvis, J., Romero, J. (2020). Tapabocas con sobreprecios y algunas empresas con nexos en Panamá en contratos de COVID-19. El Espectador. <a href="https://www.elespectador.com/noticias/salud/mascarillas-con-sobreprecios-y-algunas-empre-sas-con-nexos-en-panama-en-contratos-de-covid-19/">https://www.elespectador.com/noticias/salud/mascarillas-con-sobreprecios-y-algunas-empre-sas-con-nexos-en-panama-en-contratos-de-covid-19/</a>

<sup>76</sup> El Espectador. (2020). "Contratistas multipropósito", otra cara de la pandemia". <a href="https://www.elespectador.com/noticias/nacional/contratistas-multiproposito-otra-cara-de-la-pandemia/contratistas-de-la-pandemia/contratistas

- In Honduras La Asociación para una Sociedad más Justa's audit of the public procurement entity, Invest-H, revealed that the agency had bought overpriced goods with no purchasing plans, and very little transparency.<sup>77</sup> Following the publication report, the director of Invest-H was asked to leave his role and is currently under investigation on corruption charges.<sup>78</sup>
- In Mexico, the news outlet EMEEQUIS
   oversaw contract data published on
   CompraNet to reveal that hospital
   contracts signed off by the Mexican
   Institute of Social Security during the
   pandemic had been directly awarded to
   individuals with close ties to the previous
   government.<sup>79</sup>
- Nigerian CSO Dataphyte used data from NOCOPO and the Open Treasury Portal to draw attention to the fact that some MDAs have flouted BPP regulations to award contracts to inexperienced and unverified contractors, which were not on the BPP approved database.<sup>80</sup>
- In the UK, openDemocracy used Contracts Finder to identify that the government had made a direct award to a company named Public First, who were contracted to survey public opinion on government COVID-19 policies. It was revealed that Public First had close ties to the government's advisor Dominic Cummings and Minister for the Cabinet Office Michael Gove.<sup>81</sup>

# Recommendations for improved public integrity

Taking the lessons from these scandals into account, we have compiled a list of recommendations for building trust in public procurement during a state of emergency like the COVID-19 pandemic.

#### Short-term

3a. Governments should facilitate independent audits (by supreme audit institutions) and social audits (by civil society organizations) by publishing open data, preferably in OCDS format, and creating mechanisms by which civil society can report irregularities in procurement to government.

In their recommendations to build trust in public procurement, Integrity Watch Afghanistan has called for the government to commit further to addressing procurement irregularities during COVID-19 by ordering the national Supreme Audit Office to carry out audits on emergency contracts, inviting engagement from civil society throughout.82 IWA urges the government to publish more contracting data during the pandemic, to facilitate this process.83 Similarly, OECD has urged procurement authorities to publish "all COVID-19 related emergency contracts as quickly as possible (including a written justification for emergency) and publishing reports on the execution of

<sup>77</sup> ASJ Honduras. (2020). Auditoría y veeduría de las compras por emergencia para combatir el COVID-19 https://asjhonduras.com/covid19/informe\_resumen\_adquisiciones\_invest\_h.html

<sup>78</sup> Open Contracting. (2020). Bedrock for better public infrastructure in Honduras. Open Contracting Stories. <a href="https://medium.com/open-contracting-stories/bedrock-for-better-public-infrastructure-in-honduras-1e39526100a5">https://medium.com/open-contracting-stories/bedrock-for-better-public-infrastructure-in-honduras-1e39526100a5</a>

<sup>79</sup> Crail, A. (2020). Lluvia de contratos beneficia a farmaceútica vetada y empresa de espectáculos. *EMEEQUIS*. <a href="https://www.m-x.com.mx/al-dia/lluvia-de-contratos-covid-beneficia-a-farmaceutica-vetada-y-empresa-de-espectaculos">https://www.m-x.com.mx/al-dia/lluvia-de-contratos-covid-beneficia-a-farmaceutica-vetada-y-empresa-de-espectaculos</a>

<sup>80</sup> Ojekunle, A. (2020). INVESTIGATION: COVID-19 response projects worth N534.98 million awarded to unverified contractors. Dataphyte. https://www.icirnigeria.org/investigation-covid-19-response-projects-worth-n534-98-million-awarded-to-unverified-contractors/

<sup>81</sup> Geoghegan, P., Coon, D. (2020). Revealed: Key Cummings and Gove ally given COVID-19 contract without open tender. Open Democracy. <a href="https://www.opendemocracy.net/en/dark-money-investigations/revealed-key-cummings-ally-giv-en-840000-covid-contract-without-competition/">https://www.opendemocracy.net/en/dark-money-investigations/revealed-key-cummings-ally-giv-en-840000-covid-contract-without-competition/</a>

<sup>82</sup> Integrity Watch Afghanistan. (2020). Open budgeting and contracting as trust-building vehicles in the time of COVID-19. https://iwaweb.org/spotlight/open-budgeting-and-contracting-as-trust-building-vehicles-in-the-time-of-covid-19/

**<sup>83</sup>** *Ibid.* 

these contracts", to increase trust in public spending.84

In Moldova, revealing procurement spending plans has already led to successful interventions from civil society. The government sparked debate when it advertised its intentions to buy 2 million protective suits and reusable protective screens, for a population of only 3 million people, most of whom would never need this level of PPE.85 Following pressure from civil society, these orders were reduced to ±55,000 protective suits and ±200,000 protective screens, according to data published on the tender.health open data platform. While not intended as such, this arguably amounts to a "social audit," wherein citizens and civil society organizations "monitor, track, analyze, and evaluate government performance, thus making public officials accountable for their actions and decisions."86 Governments in Colombia and Ukraine have also taken steps towards facilitating social audits, by making it obligatory to tag COVID-19 contracts specifically, allowing oversight institutions and civil society to monitor emergency spending.87

To further invite public participation in procurement decisions governments should consider creating mechanisms by which civil

society is able to report potential red flags to auditors, as recommended by Transparency International Chile's recommendations for coronavirus procurement in Latin America.88

3b.Governments should implement stricter sanctions, such as fines, for illegal or underperforming companies and public servants during a state of emergency, strengthening their stance against corruption and inefficient use of public funding.

In Nigeria, a Dataphyte investigation using open data published on NOCOPO revealed that some government MDAs hid under coronavirus regulations to award contracts to unverified suppliers, implying that those responsible should be met with stricter sanctions for non-compliance.89 Similarly, Transparency International's global recommendations for emergency procurement urge governments to be more stringent in applying sanctions to those involved in illegal practice. 90 A similar view was echoed by one of our interviewees in Colombia, who emphasized that although the Comptroller General had started an initiative to punish those involved in illegal procurement during the pandemic, they had seen no evidence of sanctions actually being implemented.91

- 84 OECD. (2020). Public procurement and infrastructure governance: Initial policy responses to the coronavirus (Covid-19) crisis. http://www.oecd.org/coronavirus/policy-responses/public-procurement-and-infrastructure-governance-initial-policy-responses-to-the-coronavirus-covid-19-crisis-c0ab0a96/#endnotea0z45
- 85 Pakholnitsky, N. (2020). Buy everything from the Moldovan authorities. NewsMaker. <a href="https://newsmaker.md/rus/novosti/u-vlastej-moldovy-vsyo-zakupis-chto-ne-tak-s-tenderami-i-goszakupkami-v-usloviyakh-chp/">https://newsmaker.md/rus/novosti/u-vlastej-moldovy-vsyo-zakupis-chto-ne-tak-s-tenderami-i-goszakupkami-v-usloviyakh-chp/</a>. Moldova is outside of the scope of our evaluation of OCP's work funded by BHPF, but remains a useful example for officials and activists in BHPF countries.
- **86** *UNDP.* (2011). A Practical Guide to Social Audit as a Participatory Tool to Strengthen Democratic Governance, Transparency and Accountability. <a href="https://www.local2030.org/library/112/A-practical-guide-to-Social-Audit-as-a-Participatory-Tool-to-Strength-en-Democratic-Governance,-Transparency,-and-Accountability.pdf">https://www.local2030.org/library/112/A-practical-guide-to-Social-Audit-as-a-Participatory-Tool-to-Strength-en-Democratic-Governance,-Transparency,-and-Accountability.pdf</a>
- 87 OECD. (2020). Public procurement and infrastructure governance: Initial policy responses to the coronavirus (Covid-19) crisis. http://www.oecd.org/coronavirus/policy-responses/public-procurement-and-infrastructure-governance-initial-policy-responses-to-the-coronavirus-covid-19-crisis-c0ab0a96/
- 88 Transparency International (2020). Public Procurement During States of Emergency: Minimum Requirements to Ensure the Integrity of Contracts Awarded During the Crisis. <a href="https://www.transparency.org/files/content/event/EN">https://www.transparency.org/files/content/event/EN</a> Latin America emergency procurement report Layout.pdf
- 89 Adani, O. (2020). COVID-19 Funds: NCDC spends N202 million on six items without procurement plan. *Dataphyte*. <a href="https://www.icirnigeria.org/covid-19-funds-ncdc-spends-n202-million-on-six-items-without-procurement-plan/">https://www.icirnigeria.org/covid-19-funds-ncdc-spends-n202-million-on-six-items-without-procurement-plan/</a>
- 90 Transparency International. (2020). Public Procurement During States of Emergency: Minimum Requirements to Ensure the Integrity of Contracts Awarded During the Crisis. <a href="https://www.transparency.org/files/content/event/EN\_Latin\_America\_emergency\_procurement\_report\_Layout.pdf">https://www.transparency.org/files/content/event/EN\_Latin\_America\_emergency\_procurement\_report\_Layout.pdf</a>
- 91 Interview with a participant in Colombia, August 2020.

What might these sanctions look like in practice? An interviewee from Colombia advocated for punishments such as fines to be enforced, and added that smaller administrative sanctions might be also implemented for those involved in data input errors, in an effort to encourage public servants to take these administrative duties more seriously. Elsewhere, in the United States, a presidential order has made it a misdemeanor for suppliers to engage in unfair price gouging during the pandemic, punishable by up to a year in prison or a \$10,000 fine. Finally, one of our Chilean interviewees argued that there is a strong need to introduce sanctions on departments uploading poor-quality procurement data. Without strong incentives for the government to disclose useful data, it becomes extremely hard for CSOs to monitor their activities. This, too, is especially damaging during a crisis.

# Forward-looking

3c. In preparation for future emergencies, national procurement authorities should work towards publishing all contracting data on a single, unified open data portal to improve data accessibility for the average citizen, journalists and CSOs. In the knowledge that contracts are open to public scrutiny, procurement authorities should hold themselves to higher standards.

Coronavirus has laid bare the importance of open contracting, with opaque procurement practices leading to bad quality goods, shortages, overpriced goods and services, and conflicts of interest. As such, OCP partners and open data activists globally have called for contracting data to be made publicly available, including in a state of emergency. Yet even in countries that do already publish open data, there is scope to make contracting decisions much more accessible. For instance, we spoke to interviewees in Colombia and Chile, who described difficulties in using existing open data portals.<sup>93</sup>

One of our interviewees in Colombia described the difficulties of searching for contracts across the SECOP I and SECOP II portals, advocating for a single system. They described how CCE's coronavirus procurement tool had helped them to identify contracts relating to the pandemic, but expressed frustration about not being able to download machine-readable data directly from the portal. Such technological inefficiencies presented real logistical challenges for journalists investigating procurement during the pandemic, who subsequently had to create their own database from data on SECOP portals' PDFs. S

Elsewhere, an interviewee from Chile also said that there are various data portals in Chile, which run with very limited operability, have different data standards and often double-publish data. They appealed for one centralized open data portal based on OCDS with, crucially, mechanisms to ensure the data inputted is of a high quality.

In both cases, an easy-to-use open contracting database could well help to build public trust in government. With the knowledge that contracting decisions are open to public scrutiny from civil society,

- 92 OECD. (2020). Exploitative pricing in the time of COVID-19. <a href="https://www.oecd.org/daf/competition/Exploitative-pricing-in-the-time-of-COVID-19.pdf">https://www.oecd.org/daf/competition/Exploitative-pricing-in-the-time-of-COVID-19.pdf</a>;
  - Whilst the US government has proposed strict sanctions for those engaging in price gouging, the government itself has also been the focus of procurement scandals. For instance, in September 2020, the Pentagon was accused of redirecting funding dedicated to COVID-19 crisis towards defense contractors. See Gregg, A., Torbati, Y. (2020). Pentagon used taxpayer money meant for masks and swabs to make jet engine parts and body armor. *The Washington Post*. <a href="https://www.washingtonpost.com/business/2020/09/22/covid-funds-pentagon/">https://www.washingtonpost.com/business/2020/09/22/covid-funds-pentagon/</a>
- 93 Interview with a participant in Colombia, August 2020.
- 94 Elsewhere, a participant from another Colombian CSO suggested that SECOP II is posed to completely replace SECOP I as a unified and user-friendly e-procurement portal. Whilst we did not consult any government officials under the scope of this research, future research would benefit from verifying these claims with the Colombian government.
- **95** *Ibid.*

procurement authorities are also more likely to hold themselves to a higher standard of behavior. Additionally, as one of our interviewees from the UK stressed, publishing contracting data has the potential to mitigate future scandals for government, who can use open data to defend a procurement decision, showing where they have followed regulations:

If you're not transparent then conspiracy theories will grow and grow, and something will come up that will look bad and get credibility, even if it doesn't deserve it, because of a lack of transparency. How did the company get chosen? What was the proposal? What was the process? The profit margin?

By making these answers to these questions open, governments can avoid public controversy.

# 4. Increased business competition

#### Problem identification

Linked to the need for increased public integrity is the need for more competition between business for public tenders. Proper competition should help avoid corruption, which often occurs through contracts directly awarded to a company with links to officials. It also encourages innovation and efficiency as companies design different products and services to offer to governments, and, finally, can be a crucial way to support SMEs.

Whilst the time pressure associated with an emergency like COVID-19 means that some contracts need to be procured with a limited tendering process, low competition has led to controversy across the world. In Honduras, for example, journalist Alex Flores published a series of two reports using open contracting data to reveal how Invest-H, a Honduran public entity responsible for its coronavirus response, had made direct awards to companies building mobile hospitals, in violation of a state procurement law. <sup>97</sup> A subsequent audit carried out by La Asociación para una Sociedad más Justa revealed that the hospitals were purchased at an excess cost of \$12.3 million. <sup>98</sup>

Many other investigations around the world have focused on direct awards. In the UK, for example, journalists have identified an estimated £1 billion in direct awards, 99 using open contracting data on the EU's Tenders Electronic Daily and the UK's Contracts Finder portals. As the CEO of Transparency International UK put it, "the alarming number of contracts seemingly awarded without any competition risks setting a dangerous precedent which may harm the public interest and reduce confidence". 100 Market confidence is crucial, as we explore below. This will especially be the case following the pandemic: open and competitive tendering will be key to economic recovery, promoting the inclusion of SMEs in public contracting and ensuring that growth is equitably spread.

# **Recommendations** for **increased** business competition

More specific recommendations for government to increase competition during contract tendering processes include:

#### Short-term

4a.Governments should maintain transparent tendering practices during the pandemic in order to

- 96 Interview with participant in the UK, August 2020.
- 97 CoST Honduras. (2020). Interview with Alex Flores, investigative journalist and winner of CoST Honduras Journalism Prize. <a href="http://infrastructuretransparency.org/news/interview-with-alex-flores-investigative-journalist-and-winner-of-cost-honduras-journalism-prize/">http://infrastructuretransparency.org/news/interview-with-alex-flores-investigative-journalist-and-winner-of-cost-honduras-journalism-prize/</a>
- 98 ASJ Honduras. (2020). Auditoría y veeduría de las compras por emergencia para combatir el COVID-19 https://asihonduras.com/covid19/informe\_resumen\_adquisiciones\_invest\_h.html
- 99 Evans, R. et al (2020). Firms given £1bn of state contracts without tender in Covid-19 crisis. The Guardian. https://www.theguardian.com/world/2020/may/15/firms-given-1bn-of-state-contracts-without-tender-in-covid-19-crisis

**100** *Ibid*.

maintain a competitive marketplace; a lack of transparency severely risks cooling the market at a time when the economy is already unstable. By the same token, transparency encourages SMEs to participate in public procurement, which will be key to post-pandemic economic recovery.

Open contracting promotes healthy competition between a variety of bidders, including SMEs. As Spend Network's Ian Makgill puts it, when smaller businesses can see how "much [an incumbent] supplier was paid, what they were paid for and maybe even how well they performed in a contract," they are able to innovate, "identify market opportunities and [. . .] increase a market's efficiency." 101

Indeed, purchasing with SMEs during the coronavirus pandemic (even if direct) has in some cases led to better pricing. For instance, according to a report carried out by *La Nación Data* and Red PALTA, the Argentine government was able to purchase ventilators from local SMEs in Córdoba at three times less than the prices offered by Chinese companies. Moreover, encouraging SMEs to participate in public tendering competitions will be vital to post-pandemic economic recovery, as governments seek to direct funding back into the local economy. 103

By contrast, a lack of transparency during the tendering process engenders what one interviewee described as "corruption of the process". This is "almost as invidious as the brown paper envelopes," they said. In the UK, the public opinion research firm Public First received a direct contract award from the Cabinet Office to run focus groups that elicited public views on the pandemic. Staff in the firm had long-standing connections to senior government officials and the Minister for the Cabinet Office Michael Gove. 104 Our interviewee reflected that when other research firms see this kind of award, with no information on why Public First received it, they will likely assume that the personal connections between the firm and the government played a role. This encourages them to invest in hiring people who can help them win contracts in the same way, rather in being competitive. 105 By extension, over time, this reduces market incentives for innovation and efficiency gains, ultimately resulting in poorer and more expensive public services.

## Forward-looking

4b. Procurement authorities should consider using reverse auction technology during states of emergency to allow quick competition, whilst clearly outlining quality specifications and maximum price caps.

The same interviewee (as above) from the United Kingdom suggested that one way of ensuring quality and fair prices, whilst attracting competition, could be to use reverse auction technology. That is to say, public procurement bodies could establish technical specifications and maximum prices, before allowing contractors to bid for a

<sup>101</sup> Makgill, I. (2020). How Transparency Benefits Suppliers. Spend Network. <a href="https://spendnetwork.com/how-transparency-bene-fits-suppliers/">https://spendnetwork.com/how-transparency-bene-fits-suppliers/</a>

<sup>102</sup> Ruíz, I., Pallaro, B. (2020). Coronavirus. Las fabricantes cordobesas de respiradores artificiales, las grandes ganadoras de la pandemia. La Nación Data. <a href="https://www.lanacion.com.ar/politica/coronavirus-las-fabricantes-cordobesas-respiradores-artificia-les-grandes-nid2388983">https://www.lanacion.com.ar/politica/coronavirus-las-fabricantes-cordobesas-respiradores-artificia-les-grandes-nid2388983</a>

<sup>103</sup> Transparency International. (2020). Public Procurement During States of Emergency: Minimum Requirements to Ensure the Integrity of Contracts Awarded During the Crisis. <a href="https://www.transparency.org/files/content/event/EN\_Latin\_America\_emergency\_procurement\_report\_Layout.pdf">https://www.transparency.org/files/content/event/EN\_Latin\_America\_emergency\_procurement\_report\_Layout.pdf</a>

<sup>104</sup> Geoghegan, P., Coon, D. (2020). Revealed: Key Cummings and Gove ally given COVID-19 contract without open tender. Open Democracy. <a href="https://www.opendemocracy.net/en/dark-money-investigations/revealed-key-cummings-ally-given-840000-covid-contract-without-competition/">https://www.opendemocracy.net/en/dark-money-investigations/revealed-key-cummings-ally-given-840000-covid-contract-without-competition/</a>

<sup>105</sup> Interview with participant in the UK, August 2020.

**<sup>106</sup>** *Ibid*.

tender via an online platform. Prices gradually reduce as the auction progresses and bidders offer improved pricing in order to win the contract.<sup>107</sup>

Following this logic, procurement bodies should be able to achieve relatively low prices, as contractors compete for the tender, and sellers are also held accountable for fulfilling the contract specifications, which are outlined from the outset of the process.

# Conclusion

This report has examined international responses to emergency contracting practices during the COVID-19 pandemic.

We carried out desk research and interviews to find out how OCP's partners across civil society in a range of countries have used open data to identify irregularities in emergency procurement. Building upon these case studies, we have presented a series of actionable recommendations that can be used by governments and procurement authorities to improve their contracting practices as the pandemic develops, even when working at pace during a crisis.

We hope that these global recommendations will inspire change in emergency procurement practices. Although our research has focused specifically on public contracting during the COVID-19 pandemic, our recommendations are also applicable to other kinds of emergencies. We believe that their implementation would improve not only the way in which authorities are responding to the situation at hand but also responses to future crises.



