

Inclusive and effective public procurement:

Findings and lessons from research
in 12 countries

2022

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Introduction

Public procurement is the world's biggest marketplace accounting for \$13 trillion spent every year. As countries have been hit hard by the COVID-19 pandemic, governments need to ensure efficiency, effectiveness and equity of public spending, and use procurement as a tool for the economic recovery.

To collect evidence and practical examples on how public procurement could lead to measurable improvements in development outcomes, we launched our second Action Research project and supported researchers globally to investigate topics related to equity and effectiveness of public procurement. With support from Canada's [International Development Research Centre's Open Data for Development program](#), we awarded 12 research grants to teams to investigate public procurement in Argentina, Brazil, Burkina Faso, Colombia, Costa Rica, Kyrgyzstan, Lithuania, Malawi, Nigeria, Philippines, Puerto Rico, and the United Kingdom.

From March to December 2021, teams analyzed ways to increase opportunities in public procurement for Small and Medium Enterprises (SMEs), women businesses and minority groups, and how to measure the inclusiveness of contracting policies in a country. They also explored transparency issues and alternatives to promote integrity, efficiency and effectiveness in procurement. This report summarizes the main findings, recommendations, and advocacy strategies of the research projects.

We grouped the findings and recommendations by the topics the research teams are addressing.

Key findings and recommendations

INCREASING OPPORTUNITIES FOR SMES AND WOMEN BUSINESSES IN PUBLIC PROCUREMENT

Half of the research group consisting of teams in Malawi, Argentina, Nigeria, Costa Rica, Puerto Rico and the Oxford Insights team focused on research related to equity and inclusion in public procurement. They explored the key barriers SMEs, women, and other minority groups have faced when participating in the public procurement market, as well as if and how these groups used public procurement data or not. The teams then developed methodologies to assess how inclusive procurement practices, policies, regulations and laws are within each country.

The main findings related to equity and inclusion from these reports include:

1. **Small and medium enterprises face multiple administrative, financial and social challenges in accessing public procurement opportunities and submitting bids**

The **technical nature of the procurement process, complex regulatory frameworks and excessive requirements** are common challenges faced by SMEs and other minority groups that limit their participation in public contracts. These challenges were found particularly in Malawi and Argentina to different degrees. In Malawi, one of the key barriers was access to bidding documents as they are only available in physical copies at a Council office. In Argentina, there is a dispersion and fragmentation of opportunities to contract with the State because each level of government publishes information about its purchases independently and with its own data standards, which makes it difficult to identify business opportunities.

Other barriers include the number of administrative requirements including guarantees, registration with different public entities, and unreasonable technical specifications. Moreover, **late payments from the government**, which can range from 60 to more than 90 days, were considered a big challenge that prevented small companies from participating.

Research from Puerto Rico showed that 63% of the total value of contracts from emergency funds was awarded to non-local companies, mainly from the United States. In addition, only 30% of subcontracts were awarded to certified Minority Business Enterprises (MBEs) and 7% to Women-owned Business Enterprises (WBEs). The researchers found that a lot of businesses are **unaware of the certification process** which limits their participation.

In Costa Rica, while the proportion of SMEs who have won a contract is high (they represent around 80% of the suppliers), only half of the suppliers who are registered in the system have submitted a bid which shows there might be **barriers for an initial participation in the market**. In all the different procurement methods, micro-enterprises represent less than 12% of the total offers submitted. In addition, micro-companies are severely underrepresented in

the public procurement system, as they make up 81% of the country's companies but only 28% of the registered suppliers.

In addition, when micro-enterprises compete against large firms in the same product category they have low chances of winning. In 67% of these cases, large companies won the contract. Of the 53 item categories analyzed, small businesses have a success rate of less than 50% in only 4 of them, while micro-businesses' success rate is less than 50% in 41 of them. This shows that small companies have good levels of participation, competitiveness and success, while micro-companies show very poor results in all these areas.

RECOMMENDATIONS

Standardize tender specification documents

The standardization of documents (specifications) for the different types of contracts (supplies, services, etc.) should be considered, in order to avoid the variety of formats and styles. The new documents should be socialized with the supplier market before their approval, to guarantee that they are understandable for potential suppliers.

Simplify the procurement process and create capacity building programs for vendors

Exempt micro and small enterprises owned by women, the youth and other marginalized groups from some of the technicalities in the bid application process such as requirements for bid security and guarantees. In contexts where local languages are used, the procurement documents should be translated to facilitate participation. In addition, it is recommended that capacity building programs be created for SMEs to train them on how to effectively participate in the public procurement market.

Improve the payment process to reduce payment times

Streamline payment circuits, prioritizing timely payment to SMEs in order to prevent them from exiting the market due to financial difficulties or increasing the costs of their offers. The bodies that administer the respective systems and the contracting agencies should design joint strategies to meet the payment deadlines established by law.

Implement vendor outreach strategies

It is important for the government to engage with current and potential suppliers. This helps to create an environment of collaboration and ensures that buyers are aware of what the market can provide, which will help them to understand the needs of their potential suppliers. Some businesses may not know about all the avenues they could potentially use to supply to the government. It is important that procurement entities share this information, actively seek out new suppliers, and help provide them with the skills they need to successfully supply to government

Promote and simplify registration of SMEs in the public procurement system

Government agencies should encourage the registration of small, medium and particularly micro enterprises. Also processes to obtain an SME certification should be simplified.

2. Lack of data to track participation and policies

Even in contexts where policies to promote the participation of minority groups are in place, there is a lack of data that limits implementation tracking. In addition, disaggregated procurement data that includes information about the firm characteristics (including size or ownership) was not available in the countries analyzed.

In Argentina, no structured data nor reports about SMEs were found on the website of the National Contracting Office (ONC) or the national contracting portal ([ComprAR](#)). The latest available reports are from 2012 and do not include information on the participation of SMEs. In the [public registry of suppliers](#), no search option allows filtering by firm scale.

In Puerto Rico, entities that receive recovery funds are not required to disclose procurement processes on a unified portal and they choose their own methods of disclosure per state laws and policies. As a result, sub-recipients can disclose information in a decentralized manner through dozens of newspapers, portals, and social media channels. This limits potential suppliers/providers from learning about opportunities on time, consequently hindering them from preparing competitive offers. Additionally, it prevents citizens from knowing how recovery funds are used, hindering their ability to participate in decision-making and/or monitor the progress of recovery projects.

In Malawi, the local government of Mchinji District lacks an effective system to track business registration and ownership. Moreover, there is no structured data about the upcoming procurement opportunities.

In Costa Rica, while there is an e-procurement system that captures a lot of contracting information, data about the public registry of suppliers was not publicly available on the procurement portal and researchers had to scrape it from the website, which makes access complex for users.

RECOMMENDATIONS

Publish disaggregated contracting data in open formats

It is recommended to standardize the criteria for the publication of contracts, for example, by implementing the [Open Contracting Data Standard \(OCDS\)](#) to disseminate data and documents in

an open format about all stages of the contracting process. This would allow the purchasing opportunities with the different levels of government to be known and identified more easily.

Publish and collect data on SMEs, women and minority owned businesses

Public procurement entities should collect and publish information about their size and ownership from suppliers in order to track which suppliers are women/minority owned and once policies and practices are implemented to track progress. Data is crucial to demonstrating that there is a need for preferential treatment and other equity and inclusive friendly policies in public procurement.

EFFICIENCY AND PROCUREMENT RISKS

Research from the Philippines, Colombia, Kyrgyzstan, Lithuania, Puerto Rico and Burkina Faso focused from different angles on inefficiencies in procurement and potential risks in the process.

1. Market concentration in less transparent procedures

Research in Colombia showed that **the use of a less transparent and more discretionary procurement modality (Special Regime) in public work contracts could undermine competition** in comparison to contracting procedures that followed the main contracting regime. For 23 of the 28 markets analyzed, the market concentration (calculated dividing the highest value awarded to a contractor by the total value awarded in the market) is higher for work contracts awarded through the special regime. This means that entities associated with this type of contracting (public companies, health companies, educational institutions) tend to assign their public works contracts of greater value to a single supplier. While in the contracts awarded via the General Regime (Law 80) only two items present a market concentration higher than 25%, in the case of contracts awarded through special regimes this number rises to ten.

In addition 67.7% of the Colombian municipalities analyzed have a high market concentration (more than 25%) for special regime contracts. This figure is an indicator that the special contracting regimes may be undermining competition in the public procurement market at the territorial level.

2. Accountability of suppliers

Research found that there are gaps in accountability of suppliers in terms of the information they disclose and how public entities use it to make sure they procure with accountable suppliers. Research from Lithuania assessed the accountability standards of the top 40 suppliers during the COVID-19 emergency, and found they disclose limited information about their anticorruption policies, organizational structure (shareholders, subsidiaries and associated businesses) and their finances (taxes, income and contribution to society). In addition, COVID-19 suppliers were less accountable and transparent than the largest companies in Lithuania since 2014 when a first similar evaluation was carried out.

In Puerto Rico, research found that US companies that were awarded high value contracts related to emergency funds, had previous reports of breach of contract or allegations of false claims at the federal level. The analysis also identified instances where companies appeared recently registered.

3. Low awarding rate of emergency funds

Low awarding rate of funds and delays in awarding a contract are some of the inefficiencies found in the use of COVID-19 funds in the Philippines and emergency recovery funds in Puerto Rico. In Puerto Rico, the average number of days between an invitation and the deadline to deliver offers is 35 days, however half of the procedures analyzed suffered amendments to their bid delivery dates, which indicates potential challenges around achieving multiple competitive proposals. In addition, the number of days between a proposal invitation and the start of its contract (i.e. contract execution), is 175 days, or ~ 5.8 months.

In the case of the Philippines, on average, only 2 out of 10 local government unit's contracts have been awarded in 2020. And for every Php1 spent, approximately Php1 remains unspent in the procurement of goods and services.

4. Non-compliance to documentary requirements and unauthorized cash advances

Research in the Philippines found that most of the audit reports to local governments relate to non-compliance to documentary requirements and unauthorized cash advancements such as discrepancies in financial statements, violations of circulars related to inventory management disposal and potential violations to existing circulars, memorandums, and Philippine laws made in procuring goods or services in times of the COVID-19 pandemic. Moreover, about 786 contracts (worth \$1.4 million) were flagged as potentially irregular since the difference between the Notice to Proceed and Award dates were found to be negative. This is in clear violation of the Revised Implementing Rules and Regulations of Republic Act 9184.

5. Automated models for risk detection

Research in the Philippines developed a logistic regression model capable of tagging contracts as potentially "irregular." The model shows the potential of using novel analysis techniques that could help identify potential irregular contracts, and it can be optimized to improve the precision of the model and possibly pilot-test its deployment.

6. Gaps in data availability hinders openness and prevents efficient implementation of procurement commitments

Research in Nigeria found that even if there are commitments in place in six states to implement new procurement regulations and open contracting portals, the level of awareness of these reforms is very low both by procurement officials and civil society groups. For example, three of the states analyzed had an open contracting portal published, but none of the portals publish procurement records and information on all stages of the

procurement process and there are no citizen feedback features. In all the states there is no proper platform to support an e-procurement system for the timely and qualitative release of public procurement data.

In addition, research from Kyrgyzstan that analyzed public procurement processes in the health sector, found gaps in data disclosure that affect **the openness and clarity of the public procurement process**, including lack of complete information, tender documentation and gaps in data about the award and implementation of the contract.

7. Risks of favoritism in procurement

Research in Burkina Faso analyzed potential risks related to favoritism in public procurement contracts through the manipulation of the tender criteria and the discretion in the correction of bid values.

The data analysis shows that overall, 62% of all bids are evaluated as compliant with the tender criteria but there is significant variation across authorities and time. Contracts receive 7.3 bids on average, but only 4.5 conform (compliant with the technical criteria) bids. The average for ministries and other central agencies are relatively similar, but local governments receive far fewer bids and even fewer are judged to be compliant. For much of the time period under study, only two bids were judged to be compliant with tender criteria at the local government level. Excluding those contracts that receive only one bid in total, 18.5% of contracts have only one bid that is evaluated as compliant.

Bid values can be corrected after the bids are opened and the prices of each bid are read out loud. This process can create a mechanism through which DMPs can target favored firms through ostensibly legal means. 16% of bids have a difference between their corrected value and their initial value. 61% of these differences are positive, meaning that most of the time the DMP corrects the bid value upwards.

8. Corruption risks in healthcare procurement

Research from Kyrgyzstan found factors that increase corruption risks in public purchases in the health sector, including the lack of standards at the planning stage to determine the maximum cost of goods and products and the overwhelming use of a decentralized approach to public procurement, which leads to fragmentation of orders, sharp differences in prices, the absence of independent experts and the occurrence of "kickbacks." In addition, the lack of data prevents analyzing price dynamics.

RECOMMENDATIONS

Improve data quality

Besides publishing disaggregated procurement data about all the stages of the contracting process, other information should be disclosed in open formats and linked with contracting data. These include:

- Tender standard specifications
- Amendments to contracts
- Register of trusted suppliers
- Beneficial ownership information
- Relevant audit findings and audit recommendations. Integration of these audit findings in the dataset as additional features for each contract posted could pave the way for an automated contract irregularity detection system.

In addition, in the case of public works, it is recommended to implement an exclusive data standard for contracting public works (such as the OC4IDS). This data standard must conceive of public works as a “project” with different phases and that requires different goods and services in each stage of the project development.

Implement e-procurement solutions

Addressing inefficiencies and lack of participation by exploring e-procurement efforts to streamline bidding, evaluation, awarding and contract management processes. It is important to emphasize that greater transparency of public procurement and contracting processes will also allow for greater clarity around “why” delays persist and “what” solutions should be implemented.

Create mechanisms for civic participation

Citizens and civil society organizations should be included in procurement reforms so that they serve as ombudsmen and ensure sustainability of the reforms. Implement public participation efforts where the beneficiaries and those impacted by these funds and reforms are truly empowered to become part of the process.

Promote supplier accountability

Suppliers and private companies should develop and publish a comprehensive Anti-Corruption Programme and Code of Conduct to identify, monitor and manage conflicts of interest, prevent possible corruption risks, publicly disclose all its charitable contributions and sponsorships, and consider establishing secure reporting channels to report irregularities or possible corruption.

Evaluate the extent of less transparent procurement regimes

Evaluate the extent and need for the use of special regimes that are less transparent in light of whether their use is justified in all of the entities and whether the development of public works by these entities justifies the use of contracting rules different from those established by general contracting regulations. Establish explicit commitments and public policy actions towards the

promotion of open contracting that mitigates the transparency gaps associated with special contracting regimes.

Limit the misuse of corrected bids

There should be more transparency with respect to why bids are corrected and how the commissions arrive at the new bid values. The results should delineate specific reasons without exception for every change in bid values. These reasons should also be standardized and presented in a common format to make them easier to interpret and analyze.

Country reports

ARGENTINA

SMEs and public procurement: Two key elements for the post-pandemic recovery in Argentina

Researchers: Sabrina Comotto and Federico Lavopa

[Full report in Spanish](#) | [Policy brief in Spanish](#)

SUMMARY

This research prepared a diagnosis about current access of SMEs to the national public procurement market in Argentina and the barriers they face, and formulated action proposals to promote and increase their participation. More than 80% of Argentine companies are SMEs, and 65% of registered employment depends on them. These companies have been one of the segments most affected by the consequences of the pandemic. The Argentine Chamber of Medium Enterprises (CAME) points out that retail sales (a sector with high participation of SMEs), experienced a fall of more than 10% between December 2019 and December 2020. The main premise of this research is that improving the opportunities for SMEs to bid for public contracts can be a key tool within economic recovery strategies in the post-Covid-19 pandemic.

To conduct the diagnosis information was collected from official public procurement websites and interviews were conducted with stakeholders interested in the subject (representatives of the public and private sectors). In addition a sample of contracting specifications documents by entities belonging to the National Public Administration during 2021 was analyzed.

FINDINGS

Lack of data related to SMEs

The study found there is a lack of structured data and information about the participation of SMEs in the national public procurement market and on the degree of compliance with the regulations that promote such participation. No structured data nor reports about SMEs were found in the website of the National Contracting Office (ONC) or the national contracting portal ([ComprAR](#)). The latest available reports date from 2012, and do not include information on the participation of SMEs either. In the [public registry of suppliers](#), there is no search option that allows filtering by the scale of the firm.

The lack of systematized and easily accessible data limits the design and proposal of data driven policy instruments and concrete evidence, and to evaluate the application and effectiveness of the legal and regulatory instruments already in place.

Scattered regulatory framework with similar approaches

There are currently three normative instruments in place, regarding the promotion and facilitation of the participation of SMEs in the national public procurement market; two are laws and the third

one is a provision from a Department. Each of these regulations covers a different subset of entities, which generates a difficulty in establishing general and uniform policies for all the public institutions. All the instruments use a similar type of tools with limited approaches to promote the participation of SMEs in the public sector.

Key administrative barriers for participation

There is a dispersion and **fragmentation of opportunities** to contract with the State, each level of government publishes information about its purchases independently and with its own standards, which makes it difficult to identify business opportunities. In addition, there is a **diversity of formats and criteria used**. Each entity of the National Public Administration is free to establish the formats and clauses of its specifications in the tender documents, for instance there is an excessive use of normative references and no uniformity in the formats, writing styles and order of dispositions. This means that the bidders must familiarize themselves with the forms and styles each organization uses, which can discourage and complicate the participation of SMEs.

The study also found there is a **lack of vendor engagement initiatives** and practically no dialogue with the market and that the preparation of the tender specifications is done "behind closed doors". This favors arbitrariness, errors and inaccuracies, due to ignorance of the characteristics of the offer and the **tendency to demand disproportionate or excessive bureaucratic requirements**. The interviewees also signaled entities sometimes request quantities or delivery times that are impossible to fulfill for SMEs. The owners of the firms contacted indicated that it is a common practice that the specifications request requirements that can only be met by foreign companies or large firms, or, directly, by a group of firms or a specific company.

Lack of effective complaints mechanisms

The interviewed companies indicated there are no effective mechanisms to challenge the clauses of the specifications that unjustifiably limit competition. Although in the general contracting regulations there are various complaints instances to challenge the results, according to the firms contacted, they are not very effective and they are expensive (a guarantee is required). In addition, the SMEs interviewed added that firms normally don't submit complaints since those bidders who do so can be excluded from future proceedings because they are considered "problematic". That is why, in the long run, firms end up desisting from contesting, and refrain from participating in certain contracts.

Financial barriers for participation

SMEs usually endure delays of 30, 60 or more days in payments, over the regulatory deadlines. This, added to the difficulties in access to financial instruments, represents a financial burden that discourages them from contracting with the public sector or encourages them to increase the cost of their offers.

RECOMMENDATIONS

- **Improve data quality**

Work on the availability and quality of data, incorporating tools that allow to know the state of the situation regarding the participation of SMEs in the public procurement market. For example, incorporating data fields about the size of the company and search criteria in the portals that allows filters by company size. Also, it is recommended to standardize the criteria for the publication of contracts, for example, by implementing the Open Contracting Data Standard (OCDS) to disseminate data and documents in an open format about all stages of the contracting process. This would allow the purchasing opportunities with the different levels of government to be known and identified more easily.

- **Standardize tender specification documents**

The standardization of documents (specifications) for the different types of contracts (supplies, services, etc.) should be considered. Such documents should be mandatory for the bodies under the jurisdiction of the National Procurement Office (ONC), in order to avoid the diversity of formats and styles. The new documents should be socialized with the supplier market prior to their approval, in order to guarantee that they are understandable for potential suppliers. The purchasing units should be adequately trained to write the tender specifications in a clear and simple way.

- **Capacity building**

Reinforce training for contracting agencies and public procurement departments on the importance of avoiding clauses and specifications that act as barriers to the participation of SMEs. In addition, it is recommended to create capacity building programs for SMEs to train them on how to effectively participate in the public procurement market.

- **Vendor outreach and engagement**

Implement vendor engagement strategies particularly in the the stage of preparing the technical specifications, for example, creating dialogue tables between purchasing entities and entities that bring together SMEs from different sectors.

- **Improve the efficiency of the payment process**

Streamline payment circuits, prioritizing timely payment to SMEs, in order to prevent them from exiting the market due to financial difficulties, or increasing the costs of their offers. The bodies that administer the respective systems - treasury and accounting - and the contracting agencies should design joint strategies to meet the payment deadlines established by law.

BURKINA FASO

Public procurement and favoritism risks in Burkina Faso

Researcher: Stuart Russell

[Link to report](#)

SUMMARY

Given the importance and monetary stakes of public procurement, the study of procurement is crucial where mechanisms of government accountability are weak. This report focuses specifically on the West African landlocked state of Burkina Faso. Since the mid-1980s, politics in Burkina Faso has been dominated by a single party: the Congress for Democracy and Progress (CDP). Multi-party democracy was only installed after the recent political revolution in 2014 that toppled the long-time CDP President Blaise Compaore. That said, the political landscape is still uneven and government accountability is weak (Ariotti, 2016). Procurement averaged 23.73% of the Burkinabe government's budget in the period from 2013 to 2020 (CIFOEB, 2020). Though about 80-85% of procurement contracts involve some form of competition or bidding, bidding firms in Burkina Faso still do not always face an even or fair playing field.

This report highlights favoritism risks in the Burkinabe public procurement process. For this research, favoritism is considered to be the manipulation of the process to target contracts towards particular firms with which politicians or bureaucrats have pre-existing relationships. Importantly, these firms may not have won the contract if the de jure process was respected. The paper highlights two main strategies that may be used to direct otherwise competitive tender procedures towards favored firms: the manipulation of tender criteria and the manipulation of bid values. The way these two steps of the procurement process are structured and conducted in practice can create favoritism risks. These strategies are explored via interviews with key actors and descriptive, quantitative analysis of data on procurement contracts. The report concludes with comments about data transparency in Burkina Faso and recommendations about how to reform the process and improve procurement effectiveness and equity in Burkina Faso.

FINDINGS

Lack of structured data

Almost the entire procurement process is paper-based, since all the tender opportunities are published in the Revue des Marches Publics (RMP), which is the government's daily procurement journal. This can limit the extent to which a variety of actors can access important procurement information, since when there are only paper versions of key documents available, more established, well connected firms are more likely to be able to access them. Second, most of the procurement data is not sufficiently standardized. The results in the RMP, for instance, are published in a wide range of different formats and structures. The labels of important variables differ across RMPs - and even across pages of a single RMP. Standardizing this information would

make it easier for firms and civil society organisations to understand and monitor procurement patterns.

Risk of politicizing public procurement directors

The president appoints the public procurement directors (DMPs) of each agency following the recommendations of the primary administrator of the relevant agency. These administrators are generally ministers or directors, pending whether the contracting authority is a ministry or another state agency, and often have political careers or ambitions of their own. Some are former legislators, others are heads of political parties in the governing coalition, and others still are concurrently elected officials at the local level. Administrators have almost complete discretion in their ability to nominate DMPs and other management positions.

Several interviewees signaled that this could be a risk since agency administrators can prioritize personal loyalty when making appointments. In addition, DMPs change frequently, especially after the agency head changes. When the president names a new minister or agency director, one of their first actions is to appoint a new DMP. Some DMPs also move with their minister or director if their agency administrator is appointed to a different position.

Moreover, there are no formally required qualifications for the DMP position. The Finance Ministry recommends that DMPs have a diploma from the National School for Financial Management (ENAREF in French), but it is not mandatory. In practice, many DMPs have not attended ENAREF and therefore may not have a sufficient understanding of relevant procurement regulations.

Favoritism risks in the manipulation of tender criteria

The manipulation of tender criteria is widely thought to be a red flag in public procurement (OLAF, 2017). According to the interviews, the manipulation of criteria can occur prior to the tender publication and sometimes after the bids are submitted. While drafting the tender details prior to publication, the DMP can write a tender that specifies or targets a particular product, brand, or service that only the favored firm can provide. After the bids are submitted, the DMP and procurement commissions may also be more lenient with the bids of favored firms and more strict with the bids of non-favored firms.

Firm managers, journalists, and NGO advocates noted that DMPs may probe the bids of not favored firms for errors or mistakes. The justifications given in the RMP for the conformity of specific bids supports these claims. Many detail specific technical problems, but other justifications appear less important. According to the justifications in the RMP, commissions often rule bids as non-compliant for relatively banal reasons: the tender was addressed to the wrong official, a form did not have the signature of the appropriate person, the CV of one of the firm's employees was formatted incorrectly. These examples represent ways in which the commission and the DMP can be more strict in the application of the criteria with some firms than others.

The data analysis shows that overall, 61.8% of all bids are evaluated as compliant with the tender criteria but there is significant variation across authorities and time. Contracts receive 7.25 bids on average, but only 4.47 conforme (compliant with the technical criteria) bids. The average for ministries and other central agencies are relatively similar, but local governments receive far fewer bids and even fewer are judged to be compliant. For much of the time period under study, only two bids were judged to be compliant with tender criteria at the local government level. This diminishes any price benefits that competitive procurement methods may offer.

Excluding those contracts that receive only one bid in total, 18.5% of contracts have only one bid that is evaluated as compliant. This percentage is even higher for local governments, where only about 2 or 3 bids per contract are regularly judged to be compliant with tender criteria.

Favoritism risks in the correction of bid values

When the procurement commission is evaluating the financial offers of each firm, the DMP publicly reads aloud the bid value as bids are opened. After this, the commission evaluates the bid, and can correct the total bid value after reviewing the subcomponents of individual quantities and costs. The calculation produces a corrected bid value which, according to Burkinabe regulations, is the actual value that the commission considers when deciding how to award the contract. The contract should then be awarded to the lowest bidder based on this corrected value.

Procurement officials justified the use of corrected values - rather than the initial values publicly read aloud - through references to the extremely low capacity of most Burkinabe firms. While firm capacity is indeed low, the process of correcting initial bid value also creates a risk that DMPs can target favored firms through ostensibly legal means. With the formalized correction process, the DMP observes every firm's initial bid and could possibly then correct a favored firm's bid downwards so that it is the lowest bidder.

The data analysis shows that overall, 16.0% of bids have a difference between their corrected value and their initial value. 61.0% of these differences are positive, meaning that most of the time the DMP corrects the bid value upwards. Many bids have only a very small correction, though some have a substantially negative correction. In addition, between 12% to 18% of contracts in the analyzed period (varying across types of authorities) had only one bid corrected down. These are the most suspicious because the one firm with a lower bid is likely to be targeted with the contract.

RECOMMENDATIONS

Reform the DMP position

There should be legal requirements that DMPs must graduate from the National School for Financial Management (ENAREF) and have several years of practical experience in the administration. Second, DMPs should be further insulated from political pressures. For instance, the agency administrator should not be able to freely appoint their DMP. The director of the Direction of Public Procurement and Financial Engagements (DGCMEF), the finance ministry's central procurement office, could appoint them. Similarly, like the representatives, DMPs could automatically rotate across contracting

authorities after a predetermined period. All of these requirements should be formally codified in civil service reforms.

Improve the tender criteria

There should be clear guidance with respect to what errors can disqualify a firm. Small errors such as erroneous formatting should not be held against firms. Second, whenever a firm is disqualified, the reasons for disqualification should be clearly published in the RMP. These justifications are sometimes published in Burkina Faso, but not always.

Improve the process of correcting bid values

To address the lack of technical capacity of firms, the DGCMEF could proactively train firms with limited capacity. Over time, teaching firms financial and administrative skills could increase the quality of bids and decrease the need to correct bids. The implementation of such a training program would have to be carefully designed so that firm selection into the program is not subject to favoritism or political bias. Randomly selecting a subset of firms interested in procurement could be one way to structure the program.

There should be clear guidance on the specific conditions under which prices may be corrected. DMPs should provide more transparency with respect to why bids are corrected and how the commissions arrive at the new bid values. The results should delineate specific reasons without exception for every change in bid values. These reasons should also be standardized and presented in a common format in the RMP to make them easier to interpret and analyze. Finally, the sessions in which the commission actually corrects bid values could be public and interested firms could be encouraged to attend.

Improve data transparency

Standardizing the information from the RMPs would make it easier for firms and civil society organisations to understand and monitor procurement patterns. In terms of data, the Open Contracting Data Standard (OCDS) offers a solution to these transparency issues. The standard presents a set of recommended variables and associated labels that should be published for every procurement contract. The labels would improve on the diversity of variables that are currently presented in the RMP. Moreover, the standardized structure of the OCDS means that it is easy to publish online in searchable databases.

BRAZIL

Efficiency and equity in public procurement in the context of the health emergency in Brazil: Analysis of open data from the integrated system of administration of Serviços Gerais (Ministry of Economy, Brazil)

Researchers: Rafael Cruz and Julián Lizarraga

[Final report in Spanish](#)

SUMMARY

Accessible, updated and interoperable data are fundamental elements in an efficient and equitable public procurement system. This research analyzed the level of efficiency and fairness of contracting carried out under different legal frameworks of public procurement: tenders before and after the regulations on emergency purchases in the context of COVID-19 (Law 13,979 of February 6, 2020), and analyzed the impact of the regulatory change regarding its efficiency. In total, 50,206 contracts from 2019 and 2020 were analyzed. Also the research verified the technical characteristics of the open data platform for public procurement of the Brazilian Ministry of Economy regarding its scope, resources and standards.

FINDINGS

Fewer and higher value contracts during the emergency

Comparing 2019 to 2020, there was a 15% decrease in the total number of contracts, 25,726 in 2019 and 21,813 in 2020, however the average value of contracts during the emergency period was 31% higher than 2019. The regions with the higher per capita GDP in the country concentrate most of the spending. The number of suppliers was lower in 2020, related to the lower number of contracts awarded. In the Ministry of Health, while the number of contracts decreased, the value was 31.4% higher.

High use of non competitive procedures by the Ministry of Health

The number of non competitive tenders in the Ministry of Health went up 22,6%, from 683 in 2019 to 838 in 2020, which reflects the flexibility in the process made possible by the Emergency Law. Despite the approval of the emergency law that allows the use of non competitive contracting methods, the number of open tenders was higher in 2020 for the first three months after the law came into force (February, March and April). However, for the rest of the months of the year, the number of competitive tenders was lower than in 2019.

The geographical concentration of the suppliers awarded under non competitive tenders increased slightly from 2019 to 2020. São Paulo went from having 30.32% to having 39.41%; Rio de Janeiro, for its part, increased from 35.59% to 41.29%. There were very few suppliers located in the Northern part of the country, which is the third largest in population.

In addition the average value of contracts competitively awarded from the Ministry of Health increased by 34% between 2019 and 2020. However for a procurement method to select highly specialized suppliers, related to the emergency, the average duration decreased, showing the laws to speed up the process seemed effective.

RECOMMENDATIONS

Improvements in data accessibility

The availability of the service that enables access to the data was in fact the main challenge in the development of the analysis. The technical documentation presents a limited description of each field, generating in some cases little clarity about its content if the corresponding one is sought in the contracting process.

We recommend improving the availability, access and interoperability of public procurement data to facilitate access by different users. The system uses its own local scheme and does not use data standards that could generate more opportunities for interoperability and comparability with national and international data. We recommend implementing the Open Contracting data Standard, currently used in Argentina, Chile, Costa Rica, Ecuador, Honduras, Mexico, Paraguay, Peru and the Dominican Republic. This standard, provides a set of recommended data fields and documents to publish, proposes a common structured data model, has guidance and tools to support the application and use of the data.

COLOMBIA

The role of contracting rules public procurement efficiency in Colombia: The case of public works and infrastructure

Researchers: Anti Corruption Institute

[Full report in Spanish](#) | [Policy brief in Spanish](#)

SUMMARY

In Colombia public procurement is regulated by the General Contracting Statute, however some entities are exempt from using this standard, and instead implement a tailored contracting manual, called Special Contracting Regime. These regimes are more opaque and require less disclosure of information. As there are as many special contracting regimes as there are entities that implement them, a distortion is generated in the aggregate analysis of the information that translates into opacity for 41.2% of the contracting of public works in Colombia.

The purpose of this report is to make a comparative quantitative description of the performance of public works contracting and their efficiency through the two groups of contracting regimes: General Contracting Statute and Special Contracting Regimes. The sample includes 97,534 construction works contracts executed between January 2018 and March 2021. The amount of the contract analyzed is COP \$ 17.30 billion, of which COP \$ 3.26 billion were executed through special regimes, and COP \$ 14.03 billion were executed through the General Contracting Statute. Through this analysis, the most significant differences between the two groups of contracts are explored, through the calculation of indicators that account for the efficiency of the markets associated with the development of public works. The document also seeks to detect the change in the pattern of public works contracting prior to the start of the COVID-19 health crisis, and after it.

FINDINGS

Generalities about Special Regimes contracting in public works

- 41% of public works contracts were awarded through special regimes, however they represent 19% of the total spending. On average, contracts awarded through special regimes are shorter and have a lower amount.
- 50% of the expenditure executed through special contracting regimes was made through Public Service Companies, State Social Enterprises and Educational Institutions.
- 14% of the Colombian municipalities analyzed, equivalent to 14.4% of the land territory, predominate contracting through the special regime. Also in 18% of the municipalities analyzed, equivalent to 15.3% of the country's land territory, there is no record of the use of public works contracting under special regimes.

Higher market concentration in Special Regimes contracts

For 23 of the 28 markets analyzed, the market concentration (calculated dividing the highest value awarded to a contractor by the total value awarded in the market) is higher for work contracts

awarded through the special regime. This means that entities associated with this type of contracting (public companies, health companies, educational institutions) tend to assign their public works contracts of greater value to a single supplier. While in the contracts awarded via the General Regime (Law 80) only two items present a market concentration higher than 25%, in the case of contracts awarded through special regimes this number rises to ten.

There is a higher diversity of suppliers in contracts awarded through Special Regimes in 52% of the Colombian municipalities analyzed in the study, compared to the total number of contracts (number of suppliers / total number of contracts). However, even if the number of suppliers can be higher in some territories, 67.7% of the Colombian municipalities analyzed have a high market concentration for special regime contracts, meaning that at least 25% of the total market value is monopolized by single contractors. This figure is an indicator that the special contracting regimes may be undermining competition in the public procurement market at the territorial level.

Higher daily contract value in specific markets

While special regime contracts tend to have on average a lower value, the daily value can vary across the two contracting regimes. Out of 28 markets analyzed, 12 had a statistically significant difference in the daily value, and in 3 of those markets (Paving Services and Infrastructure Building Surfaces, Health and Sports Services and Structures, and Industrial Buildings and Structures), which represent 10% of the total market value, the average daily value of the contract is higher under the special regime than under Law 80.

When segmenting by value range (low, medium and high value contracts), it is more frequent that the contracts awarded by the special regime are on average a little more expensive than the contracts awarded by Law 80, for contracts located in the low value range. For instance, 7 item categories in the low value range had a higher average value for Special Regimes, in comparison to only 5 categories in which the contracts awarded by Law 80 are more expensive on average.

Low rate of public works in rural areas

In 31 municipalities of the country, ten or less public works contracts have been developed, regardless of the contracting regime analyzed. This indicator shows the very low presence of the State in some areas of the country, specially in two of the most rural departments of the country Amazonas and Chocó.

Recovery after the pandemic

Although the public works sector slowed down during the first months of the pandemic, and its decline reached figures of an annual percentage variation of -71% and -75% during the months of strict quarantine, towards the end of 2020, the contracting rate reached levels comparable to those of the closing dates of previous years, regardless of the contracting method.

RECOMMENDATIONS

Recommendations for improving the efficiency of public works contracting post-pandemic:

Policy recommendations towards Special Regimes

- Evaluate the extent and need for the use of special regimes in Colombia in light of whether their use is justified in all of the entities, and whether the development of public works by these entities justifies the use of contracting rules different from those established in the General Contracting Statute.
- Control the use of direct contracting for the development of public works, especially in entities that use special contracting regimes.
- Establish explicit commitments and public policy actions towards the promotion of open contracting that mitigates the transparency gaps associated with special contracting regimes.
- Seek mechanisms to support citizens in social control of contracts awarded through special contracting regimes.
- Establish urgently the obligation to publicize the contracts under which the resources transferred through solidarity agreements are executed.

Improve data quality

- Publish in an open format disaggregated information about the standard specifications filled out by the bidders for the development of contracts associated with public works.
- Publish contract amendments in SECOP II as part of the open data publication, so that the monetary or time additions to the public works contracts can be easily distinguished.
- Enable a classification system in the open data registry of the SECOP II platform that allows classifying the typologies frequently grouped under the category of direct contracting through inter-administrative agreements.
- Implementation of an exclusive data standard for contracting public works (such as the OC4IDS). This data standard must conceive of public works as a “project” with different phases, and that requires different goods and services in each stage of the project development.

COSTA RICA

Supply and demand structures in the participation of small and micro-enterprises in Costa Rica's public procurement system

Researchers: ACCESA

[Full report in Spanish](#)

SUMMARY

This research analyzes the participation of micro and small businesses in Costa Rica's public procurement and how the demand of the government matches the local offer from SMEs. The main hypothesis is that the low participation of SMEs in public procurement processes could respond to a systemic mismatch between the demand for goods, works and services by public entities and the supply of goods, works and services that the SMEs are able to provide. In other words, the structure of the market supply and demand for goods, works and services related to public procurement could significantly undermine the participation and awarding of contracts to SMEs. In total, 89,950 contracting procedures corresponding to the years 2016 to 2020 were analyzed.

FINDINGS

Micro companies are underrepresented and have a barrier to submit bids

The number of large, medium and small suppliers registered in the public procurement system (SICOP) are overrepresented in comparison to their total number in the country. For instance, while 3% of the firms in the country are large companies, according to the Ministry of Economy, 20% of the registered suppliers in SICOP are large. On the contrary micro-companies are severely underrepresented, as they are 80.8% of companies in the country but only 28% of the suppliers in SICOP.

46.4% of the registered suppliers submitted at least one bid in the analyzed period, and the participation percentages by supplier size are relatively similar to each other (between 48% to 52%); micro-enterprises have the lowest participation rate with 42.16%. Regardless of their size, between 93% and 95% of the suppliers that submitted at least one bid, have won at least one contract. However, half of the suppliers registered in the SICOP did not submit a bid in the analyzed period which may indicate barriers to participation, which are magnified in the case of microenterprises. This could indicate that the initial barrier that a supplier has to face to obtain a contract would be to submit an effective bid, since once it is submitted, its chances of winning at least one contract are high.

In all the different procurement methods, micro enterprises represent less than 12% of the total offers. While small and medium enterprises have a high participation rate, large firms concentrate 33% of the total number of contracts awarded and 47% of the total value awarded.

Low competitiveness by micro enterprises

When micro enterprises compete against large firms in the same procedure they have low chances of winning. In 67% of these cases, large companies won the contract. Their competitiveness improves when competing against small firms, with a 44% winning rate.

In the case of small firms, they have a higher participation rate and are more competitive. In 48% of the procedures where they competed against large firms they won the contract. This shows that small companies are very competitive even when facing large and medium-sized companies, while micro-companies reflect a low level of competitiveness against all types of firms.

In 8 of the 11 largest item categories, large companies concentrate a higher amount than the rest of the companies combined, winning between 53% and 83% of the total value awarded.

7 of the 8 categories most demanded by the public entities are services, which receive relatively few offers per procedure (6 of these 7 categories do not exceed the 3 offers on average per procedure). In contrast, the categories of goods have a comparatively lower demand but receive many more offers per procedure. Since the most demanded categories have more registered suppliers, this indicates that suppliers that provide services are less active and participate less.

Large companies have the highest success rate in 12 of the 20 categories with higher demand. However, the gap is not particularly big compared to SMEs, only in 5 of these 12 categories large companies obtain a difference of more than 10 percentage points. This shows that large companies do not seem to have an overwhelming dominance over the different categories, which allows small companies to participate and compete.

Of the 53 categories analyzed, small businesses have a success rate of less than 50% in only 4 of them, while micro businesses have a success rate of less than 50% in 41 of them. Again, this confirms that small companies have good levels of participation, competitiveness and success, while micro companies show very poor results in all these areas.

Low awarding rate to local suppliers

The number of suppliers registered by provinces in SICOP shows a large concentration of suppliers in San José (the capital), while the three peripheral provinces barely add up to 10.6% of all registered suppliers, a very low number compared to the existing number of companies by province. This shows there is a sub registry of suppliers from these provinces, which ends up leading to low participation and success rates.

Only 23% of procedures by local governments were awarded to a local supplier. Large companies have a higher representation at the local level, since they won 40% of the total number of contracts by local governments, compared to 32% of contracts at the national level. Small local suppliers, on the other hand, are sub represented at the local level, while for micro enterprises the rate is similar.

This indicates there is an important margin of improvement for small firms in terms of increasing their participation and awarding rate of local contracts.

RECOMMENDATIONS

To the Ministry of Finance, in charge of public procurement policies:

- Analyze in detail the barriers to participation that may be limiting a greater submission of bids by registered suppliers, with a particular emphasis on the review of the preparation of tenders and the abuse of direct contracting. This can be done in collaboration with academia and civil society.
- Prioritize a greater participation of suppliers in the categories of services, especially those categories that are most in demand, since the analysis indicates that efforts to increase competition in the public procurement system should start with these categories, which reflect a very high demand but a low supply.
- Carry out detailed analysis of the public procurement dynamics of the main purchasing entities, in order to identify improvement actions with an emphasis on inclusion and competition. This can also be done with the help of universities and civil society.
- Evaluate if the amounts that the institutions budget for their procedures are competitive, since very low amounts may be causing public purchases not to be very attractive for small companies.

To the Ministry of Economy, Industry and Commerce, the entity that develops policies for SMEs:

- Expand access to information on the public contracting system for micro-enterprises and clearly define registration guides and requirements to submit bids.
- Promote specific policies that facilitate the participation of microenterprises in public procurement procedures, since the evidence indicates that these types of companies deserve differentiated treatment and that consolidating them together with other SMEs hides their challenges.
- Facilitate the process to obtain an SME certification.
- Efforts to promote the participation of microenterprises should begin in categories that currently have high demand and low supply, many of which are service categories, such as Travel, food, accommodation and entertainment services; Publishing services for design, graphics and fine arts; Management, business and administrative services; and Educational and training services. These categories potentially require less capital investment and are categories where microenterprises present a higher success rate.
- Develop policies to strengthen the technical specialization and access to capital of SMEs so that they can compete more effectively in the largest categories.
- Encourage the registration in SICOP of companies located in the coastal provinces.
- Ensure that all economic reactivation or business support policies incorporate public procurement strategies.

To the local governments:

- All municipalities must register in SICOP to carry out all of their contracting procedures, since currently around 30% of municipalities registered less than 10 procedures in SICOP in 2020.
- Use public procurement as an strategic policy tool to strengthen the economic and social development of their local governments, prioritizing purchasing from local suppliers and encouraging the participation of small and micro-enterprises in public procurement procedures. The policy should include:
 - Data analysis for decision making and feedback mechanisms with interested stakeholders.
 - Select the most suitable markets and categories for intervention, based on local and regional markets with a certain volume of local supply-demand or with a real potential to generate it.
 - Coordinate state agencies such as hospitals, universities or educational centers that can maintain a consistent demand for products and services in key markets for the locality. In addition, efforts can be made with neighboring municipalities to establish regional public procurement strategies.

Recommendations on data publication for the SICOP:

- Improve the SICOP user experience to make registration and use of the platform easier. The platform has an outdated and confusing design that makes it difficult to navigate.
- Standardize the SICOP registration criteria so that they are consistent with the requirements requested by law. Currently, a provider can register on the platform even if, for example, they are not registered with social security, which is an essential requirement to compete in procedures.
- Standardize the categorization of the supplier size in the SICOP. During the investigation, inconsistencies with the data were found, such as natural persons registered as large suppliers.
- Improve open data publication including:
 - Data on the details of the tender specifications, and not just publish them as pdfs as is currently the case.
 - Data on the territory where the contract is executed and add information on the location of all contracting entities. This can facilitate future territorial analyzes.
 - Data of the offers presented by the different bidders for each procedure. Currently that information is available in the system, but not published as open data.
 - Data of all contracts with their respective amendments and purchase orders. The currently available open data only includes the original contract.
 - Data on outsourcing. This information is not currently being recorded, except in the bid documents, which are in PDF so they cannot be processed by computers.
- Implement a search engine with a variety of options and filters, in order to facilitate comparisons and data crossovers.
- Implement a more robust data quality verification system with defined parameters and standards.

KYRGYZSTAN

Monitoring guide: public procurement process in healthcare

Researcher: Batma Estebesova

[Full report in Russian](#)

SUMMARY

This research developed a guide to monitor the public procurement process in the health sector and is based on a study carried out within the framework of the project "Efficiency and Fairness of Public Procurement". The manual is intended to be used as a methodological basis for monitoring public procurement in healthcare. It can be passed on to civil society and other interested parties to study the issue of public procurement in different areas and industries.

Stakeholders, relying on the assessment results of the public procurement system in the health sector, could track and compare the dynamics of this process according to several selected criteria and develop corrective measures to optimize the public procurement system. The MAPS methodology was used to create the framework for transparency, fairness, and good governance of the procurement system.

The objectives of this manual are:

1. Assess the factors influencing the degree of openness and comprehensibility of the public procurement process in the field of health.
2. Assess the factors influencing the possibility of open and successful participation in public procurement of all stakeholders.
3. Assess the factors contributing to the emergence of corruption schemes in public procurement in the field of healthcare and leading to a deterioration in the price-quality ratio of public procurement.

FINDINGS

A qualitative and quantitative analysis of procurement was carried out as part of the study. The main findings of the qualitative research are summarized below:

- **The legal framework regulating the process of public procurement in the healthcare sector contributes to the openness and clarity of this process.** Formally, the legislation provides an open and understandable public procurement process, **but there are many challenges with the actual implementation of the provisions of the regulatory framework.**
- **The legal framework ensures that all stakeholders can participate openly in public procurement.** The contract implementation stage is regulated by the framework but not yet implemented. However, **there might be an unequal attitude towards participants** in practice, the admission of participation in tenders of affiliated organizations. Incomplete specifications allow unfair competition and favoritism.

- **The public has the right and opportunity to observe, discuss and monitor the public procurement process.** Still, it does not always have complete information and the necessary knowledge and skills. **Price monitoring mechanisms have not been defined.** Failure to comply with the requirements of the regulatory framework in practice and the imperfection of the regulatory framework leads to the emergence of corruption schemes.
- The **factors hindering the openness and clarity of the public procurement process** are:
 - The public procurement web portal is not convenient, does not provide complete information about the process, and needs to be improved;
 - The current functionality of the Portal does not allow for the full development of tender documentation;
 - In many cases, the procurement documentation does not contain complete information about the subject of the procurement;
 - Contractors often do not have the necessary competence and knowledge in matters of public procurement;
 - Missing/insufficient information to analyze the procurement process from the moment the contract is awarded to its execution;
 - The current legislation does not define contract management roles;
 - There are no rules for receiving/acceptance of delivered goods;
 - There are not enough free and accessible trainings for everyone, and there are no consultations for new participants.
- The **factors hindering open and successful participation in public procurement** are few and mainly identified based on interviews with the heads of supplier and purchasing organizations:
 - Due to the lack of a detailed specification, bids may be rejected;
 - Appeal procedure - is a time-consuming process that is rarely used. There is no information about competitors' applications except for financial offers. Thus competitors can not contest award decisions;
 - There are frequent cases of participation of organizations affiliated with the procurer;
 - Preference is given to organizations with experience in similar areas.
- The **factors determining the presence of corruption schemes in public procurement in the field of healthcare** are:
 - At the planning stage, there are no standards that determine the maximum cost of goods and products;

- The overwhelming use of a decentralized approach to public procurement, which leads to fragmentation of orders, sharp differences in prices, the absence of independent experts, the occurrence of "kickbacks";
- Difficulty in analyzing price dynamics; there is not enough data on the web portal, the impossibility of accumulating data and comparing them on one page of the public procurement web portal;
- Frequent failure to meet the requirements for the presence of a certified specialist in the commission;
- Lack of knowledge and skills among the participants in the process to perform its (process) full-fledged analysis;
- Lack of data on the procurement process after the award of the contract;
- Lack of prescribed mechanisms for monitoring prices in the legal framework, especially during the planning stage.

At the time of writing this report, there have been changes in the regulatory framework that may subsequently have a direct impact on the public procurement process in terms of its openness, clarity, and absence of corruption schemes. With the introduction of these changes, several additional factors are likely to appear that determine the presence of corrupt schemes in healthcare public procurement. In this regard, it is advisable to conduct further research and monitor the public procurement process in light of these changes.

The main conclusions of quantitative analysis:

In 2020, compared to 2019, both the number of contracts in the category "Medical preparations and equipment" increased by 16.79%, and the cost of purchasing medical goods increased by 43.75% or 1,517,396,091 soms (~\$17.7 million).

The main increase in the value of purchases occurred in March and July 2020. The growth coincides with the beginning of the pandemic in Kyrgyzstan, just from mid-March 2020, phased restrictions began to be introduced in the republic.

The second peak month in terms of spending on the purchase of medical goods is July 2020, which in the Kyrgyz Republic coincided with a large number of patients with COVID-19 at the same time.

The subjects of purchases as a whole have not changed, but there are changes in priorities. If in 2019 medical equipment was in the first place in medical purchases, in 2020, purchases of pharmaceutical products took the first place.

Still, the majority of tenders are conducted using the open method. However, the percentage of such tenders in 2020 decreased by 17.13 percentage points and the number of competitive lots by more than 16 thousand or by 12.66%.

The number of canceled lots decreased by 1000. The value of contracts for completed tenders in 2020 decreased by 3.2 billion soms or by 14.2%.

TOP-5 suppliers account for 20.9% of the total amount of concluded contracts.

RECOMMENDATIONS

1. Introduce the norm of **mandatory centralized purchases** of strategic goods into the regulatory framework;
2. **Create a separate procurement agency** with professional staff **that will be responsible for healthcare procurement**;
3. Develop **standards that will determine the norms of spending** on goods and products;
4. **Improve and finalize the public procurement web portal** in the following areas:
 - a. The functionality of the Portal should oblige purchasing organizations to fill in all fields of the application for supplies;
 - b. All procedures must be carried out in electronic format, automatically, without the need for manual work and paper format, i.e. switch entirely to the electronic procurement format;
 - c. Improve the functionality of the Portal in terms of ensuring price monitoring.
 - d. Use price monitoring tools (eg. business intelligence with benchmarking function).
5. At the legislative level, **assign responsibility for administering contracts to a unit or an individual specialist in the procuring organization** (it is possible to provide for a contract manager, logistician, etc.);
6. The Ministry of Health and departments should **develop instructions for the acceptance of delivered goods** for each category;
7. Introduce the regulatory legal norm on the **mandatory provision of publicly available information on implementing the procurement plan on departmental websites**.
8. **Conduct regular consultative meetings between the state and business** (for example, on the platform of the Chamber of Commerce and Industry of the Kyrgyz Republic) **and capacity-building training for all stakeholders** (suppliers, buyers, NGOs) based on donor platforms.

LITHUANIA

COVID-19 procurement in Lithuania: What do we know about supplier's transparency?

Researcher: Transparency International Lithuania

[Full report in English](#) | [Interactive portal with results](#)

SUMMARY

In this report, TI Lithuania focused on suppliers' accountability and reporting standards as a way to increase public procurement effectiveness both during and in the aftermath of COVID-19. TI Lithuania used the Lithuanian Public Procurement Office data¹ on COVID-19 related procurements and selected TOP 40 Lithuania-based suppliers based on the total value of signed non-preliminary COVID-19 contracts during the year of 2020. Approx. 100 million euros were received by those selected companies accounting to approximately 40 percent of the overall value of all such contracts in 2020. Some half-a-thousand municipalities, ministries, healthcare and other institutions made approx. 2300 contracts with those top 40 suppliers.

TI Lithuania assessed whether the main COVID-19 procurement suppliers published their anti-corruption programmes, as well as information on organisational structure and financial reporting. Companies were invited to review the information and improve their score within the period of 3 weeks.

While this information is not required to be disclosed on companies' websites by law, it offers a baseline for decision-makers and public institutions to assess the anti-corruption efforts made by those companies. It also allows to understand what extra measures might be needed to ensure transparent and accountable use of public funds. On the other hand, transparency can also help businesses build trust with investors and consumers and ensure a more equal and effective procurement processes.

FINDINGS

In order to understand what kind of reporting and accountability standards the main suppliers for COVID-19 procurement have in place, TI Lithuania evaluated the reporting and accountability standards in place of the top 40 companies, by overall contract value in 2020 in COVID-19 related procedures. They analysed corporate websites while looking for publicly available information on the company's anti-corruption programme, organisational structure and financial reporting. The assessment included 27 questions in total. Based on this initial review, they set an initial suppliers' transparency and accountability threshold and informed each of the identified suppliers about the results. Each company had an opportunity to improve its result by publishing more information. To incentivize transparency they also contacted each supplier by follow-up emails and phone calls aiming to advocate for a measured change. They finally reviewed the changes of all top 40 suppliers, and marked any improvements done.

¹ "Kovai su COVID-19 sudarytos sutartys", <https://vpt.lrv.lt/kovai-su-covid-19-sudarytos-sutartys>

This baseline exercise presents an opportunity for each company to reflect on how well it manages possible corruption risks and strengthen already existing transparency and anti-corruption practices as well as corporate governance standards. While public reporting cannot be equated to actual performance, business transparency and integrity are often associated with trust and even better commercial success.

At the same time, this exercise offers a glimpse to public sector institutions and decision-makers on what anti-corruption mitigation procedures their chosen suppliers have in place, and what further standards may be needed in order to ensure effective and transparent public procurement. Drawing on the lessons learned from COVID-19 procurement, responsible institutions and decision-makers should now also pay greater attention to how funds for the recovery from COVID-19 are used such as the EU's Recovery and Resilience Facility spending.

Companies publish limited information about anti corruption policies, organisational transparency and financial transparency

Approximately half-a-thousand healthcare institutions, ministries, municipalities and other procuring entities in Lithuania bought COVID-19 related supplies from companies that disclose very little information on how they try to prevent corruption in their activities. The overall score of such companies was 13 points out of 100 improving it by 12 points from the start of the initiative.

Companies provided the most information about the ways they aim to address corruption risks scoring 14,4 points out of 100. 33 out of 40 companies did not disclose any information about their anti-corruption policies and internal codes of ethics, such as confidential channels to report possible wrongdoings, policies on gifts, hospitality and travel expenses and whistleblowers' protection to their employees.

They scored 13,7 points for organisational transparency, but in total 30 companies did not disclose any information on their organisational structure at all, including information about their shareholders, subsidiaries and associated companies businesses. Finally 32 companies did not publicly provide any information on their finances, including their income, taxes and contribution to the society. The overall financial transparency score was only 8 points.

A low rank is not a sign of corrupt behaviour, but rather emphasizes an opportunity to enhance disclosure to relevant stakeholders in this case also to future procuring entities that seek to allocate taxpayers money in the most transparent and efficient way.

Transparency is crucial for ensuring that companies supplying goods for public money are accountable for their activities, enabling the prevention, detection and prosecution of corrupt practices.

Monitoring can promote transparency

Out of the 40 companies analyzed, 6 improved their transparency score after the initial review, which shows that direct advocacy to increase transparency, through follow up emails and phone

calls can have a positive effect. However, 28 out of 40 companies received a score of 0. The reasons provided for not improving the score varied from the lack of time to not seeing the importance of publishing such information about the company if internal compliance standards are in place. One supplier said that its business is about to be dissolved.

COVID-19 suppliers are less transparent

The average score of this assessment of businesses that supplied items related to the COVID-19 emergency, was of 13 points, which shows these suppliers were less accountable and transparent than the largest companies in Lithuania since 2014 when a first similar evaluation was carried out. For example, in 2014, the average score was 22 points out of 100, and it increased to 36 points in 2019.

RECOMMENDATIONS

For procuring entities:

1. Publicly disclose a list of goods, services, or works to be procured, even in the case of urgent purchases, especially when there is a lack of information on potential suppliers;
2. Aim to procure from transparent and accountable suppliers;
3. Publicly disclose support received from businesses;
4. Ensure more effective control of conflicts of interest in public procurement;

For decision-makers and responsible institutions:

1. Establish a publicly accessible register of trusted suppliers for COVID-19 related procurement and/or for the spending of recovery after COVID-19 funds including the transparency reporting standards as one of the conditions;
2. Require companies to disclose their corporate structures.
3. Open beneficial ownership data which could later be combined with open contracting data;

For suppliers:

1. Develop and publish a comprehensive Anti-Corruption Programme and Code of Conduct that allow to identify, monitor and manage conflicts of interest, prevent possible corruption risks;
2. Extend the Anti-corruption Programme/Code of Conduct to persons who are not employees but are authorized to act on behalf of the company or represent it (e.g. agents, advisors, representatives, or intermediaries);
3. Publicly disclose all its charitable contributions and sponsorships ensuring that they are not used as a subterfuge for bribery to obtain a procurement contract amongst other activities;
4. Consider establishing secure reporting channels to report irregularities or possible corruption detected.

MALAWI

Exploration of factors affecting rates of participation and success of women-led businesses and other under represented groups in public procurement

Researcher: Kelvin Chirwa

[Full report in English](#)

SUMMARY

This study explored factors affecting the rate of participation of women owned, youth owned and other marginalized groups' owned micro, small and medium enterprises (MSMEs) in public procurement in Mchinji District in Malawi. The study focused on procurements that the Mchinji Council made from the emergency COVID-19 funding basket. A survey questionnaire was administered to fifty owners of micro, small and medium enterprises based in Mchinji district and in depth interviews were conducted with officials of Mchinji District Council.

The policy environment provides for more space for participation of MSMEs through the Micro, Small, and Medium Enterprises Order of 2020 which calls upon government procuring entities to prioritize MSMEs in their purchases. The COVID-19 procurement in Mchinji targeted the MSMEs in line with this order. The results indicated a gender balanced distribution of contracts for the COVID-19 financing, although the determination of business ownership that was used could potentially be abused. Results further indicated that the policy directions need to go beyond providing preferences. The results from the interviews with businesses show that MSMEs owned by women, the youth and marginalized find it hard to participate in public procurement due to other factors such as inadequate capital, costly bid preparation processes, delayed payments which has dire consequences on business sustainability, and the technical nature of the bids and bidding process.

FINDINGS

Distribution on Covid-19 contracts

There were only 10 contracts awarded in the district using COVID-19 funds. Half of these were awarded to women owned businesses, 30% were awarded to youth owned businesses and the rest to male owned businesses. However there are gaps on how the district determines the ownership of the business since only a national identity card is requested. The Council could not provide data with regards to whether the businesses were owned by people with disabilities, people from hard to reach areas or from minority groups.

Technical barriers for participation

The technical nature of the procurement process and the regulatory framework were the most frequent challenges mentioned. Businesses consider that the procurement process takes too long to be completed, and takes them away from concentrating on other ventures. Also the uncertainty of succeeding if they bid for a contract, keeps small business operators from bidding. In addition, there

is a lack of understanding of the procurement process and difficulty in accessing the bidding documents, since they are only available in person at the Council, so they sometimes fail to get physical copies of the documents.

On the regulatory framework, businesses reported problems with the various procedures that they have to follow for them to operate their businesses. Traders are for example required to register with the Local District Council, Malawi Revenue Authority (MRA), Registrar General and Public Procurement and Disposal of Assets Authority (PPDA). Other equally important challenges were rigidity of the qualification requirements and failure to meet compliance requirements, the need to submit financial guarantees and the uncertainty about payment times. In many instances, they simply lack comprehensive knowledge about the regulations, quality control, and production processes.

Financial barriers

Core challenges included lack of financial capital, delays in payment for supplies and cost of submitting a bid. Respondents are unable to participate where the value of a lot is beyond what their capital can sustain. In addition, some of the respondents who have tried to get financing from lending institutions, are unable to do so because the institutions request for collateral, which they can only get if their financial position is good.

Delays in payment and the cost of preparing a bid were mentioned as additional challenges by 87% and 69% of the respondents. Respondents reported instances where the Council takes over three months to pay suppliers. Businesses with a small capital find it hard to survive with part of their capital locked up at the Council through unpaid invoices. As a result, most of these businesses avoid doing business with the Council.

Businesses also considered the cost of preparing a bid which included a fee for purchasing bid documents and the cost of completing the bid documents, as being an additional challenge to their participation in public procurement.

Lack of networks

Networking is a great way to know partners in the field who can be good sources of information about business opportunities at the Council as well as a route through which partnerships can be built. Businesses can come together and submit a joint bid, for example. The findings however reveal that businesses do not belong to any meaningful network. Of the 55 respondents only 5% indicated to have ever belonged to a network or association and 45% of the respondents do not see the importance of belonging to a network.

Social factors limit participation

The study identified two social factors that make it difficult for businesses owned by women and the marginalized to participate in public procurement. Firstly, women have limited access to financial capital because they do not have assets in their name that can be used as collateral. Although assets

are owned by the whole family, registrations of such assets are in the names of the husbands as heads of households. Secondly, women have limited access to information about business opportunities because they do not interact with networks where such information can be sourced.

RECOMMENDATIONS

The following policy suggestions are recommended to improve participation of women and marginalized businesses in public procurement.

- **Improve access to information and transparency** of procurement processes by proactively and publicly making available Councils' Annual Procurement Plans and Tenders. Such information should be disseminated not just at the Council headquarters but also in areas that are very close to the people such as notice boards at Traditional Authority offices, Niche offices, National Library offices and such other easily and widely accessed places. Other avenues could include newspapers and Community radios.
- Furthermore, the study recommends that the Mchinji Council considers **exempting** micro and small enterprises owned by women, the youth and other marginalized **from some of the technicalities in the bid application process** such as requirements for bid security, registrations with and tax clearance from the Malawi Revenue Authority.
- **The Council should put in place mechanisms that ensure that 'small' suppliers whose capital is very limited are paid on time.** The contract for supply of goods and services for such traders should indicate the maximum period during which payment for the items would be made. International best practices suggest an acceptable payment time period of less than 30 days, but can range from 30 to 120 days (Pane et al, 2020). Mchinji Council should ensure that payment periods, especially for small businesses owned by women, youth and other marginalized groups, not be held for a period of over 30 days after an invoice for supplied goods and/or services is issued. To ensure compliance, officers who delay paying such businesses should be held accountable for such delays.
- The Government of Malawi must **link the business registration system at the Registrar General with the national identification registration system.** The national registration system is more detailed in terms of information that it captures about an individual. Information such as nationality, age, sex, and current residence, which the national registration systems captures, would aid Mchinji Council to be more precise in determining ownership status of businesses. It would make it easier for the Council to identify micro, small, medium enterprises which are owned by women, youth and other marginalized groups and properly report on participation of these groups in public procurement.
- The Council should also **improve on data collection and tracking of participation of marginalized groups in public procurement.** Progress towards achieving the intent of the MSMEs order of 2020 can only be noted where Councils are collecting and analyzing data on involvement of such groups in public procurement.
- The Council should consider **breaking down high value tenders into small lots to encourage participation of marginalized groups** in public procurement. These groups

often fail to participate in the tendering process because their working capital is smaller than values of the tenders. The Council should identify goods and services where such divisions are possible.

- The study further recommends **simplification of the procurement law or key sections of the law**. Beyond simplification, the study further recommends a **translation of the simplified version of the procurement law into Chichewa** (local language commonly used in Mchinji). This simplified version of the law can be disseminated to business communities through training or distribution of the copies of the version to the business community.
- **Players on the government side such as the Public Procurement and Disposal of Assets Authority and Mchinji Council through its Commerce department, and Non-governmental Organizations in the economic empowerment area should strengthen entrepreneurship training** to women, the youth and the marginalized to equip them with knowledge on the government procurement processes and skills needed in successful management of their businesses. Topics for discussion could include record keeping, bidding processes, taxation, preparing of business profile, marketing business products and services, networking and sourcing business opportunities.

NIGERIA

Identifying the gaps hindering the effectiveness of public procurement across Nigeria subnational states

Researcher: Follow Taxes

[Full report](#)

SUMMARY

In 2016, the Federal Republic of Nigeria joined the Open Government Partnership (OGP) as a National member, guiding the sub-national governments to join in implementing the commitments. The key commitments being enhancing openness in public procurement and the entire budget cycle. The World Bank State Fiscal Transparency further reinforced the OGP process in the country, with Accountability and Sustainability (SFTAS) Program for Result (PforR) grants which promised about \$5 million across five years to each subnational that publish contract award information above a threshold every month in Open Contracting Data Standards (OCDS) format in a publicly accessible online portal; implement e-procurement across service delivery agencies, and increase citizens' access to procurement information.

This action research studied six subnational public procurement systems in Nigeria to assess how these commitments have been implemented in practice, including the legal processes, procedures and frameworks and further investigated the level of awareness and usage of public procurement data by citizens with a focus on disadvantaged groups. These sub-nationals were selected from the northern part of Nigeria, a region that has the highest number of people living in poverty and highest number of out of school children with poor public infrastructure. Two states were picked from each of the three geopolitical zones in the region- Nasarawa and Kwara states were selected from the North Central, Sokoto and Katsina States from the North West and Taraba and Bauchi States from the North East.

The team interviewed 246 stakeholders across the different states, including state actors, civil society groups, media and private businesses.

FINDINGS

Procurement laws in place but lack of guidance and awareness

Even though all the states have a form of procurement law in place, procurement guidelines and the understanding that procurement data is to be made public is not known or adhered to in the Ministry Department and Agencies, and contracts are awarded without an effective, accountable procedure. Nor is the information made public. Interviews with procurement directors showed that they have poor knowledge of what they need to do.

In four of the states there are some guidelines and frameworks in place, however respondents confirmed certain breaches majorly due to the lack of awareness and capacity of both civil servants, to lead implementation, and CSOs to monitor.

On a scale of Poor-Fair-Good-Satisfactory-Excellent scale, most respondents from Katsina and Sokoto are poorly aware on public procurement reforms happening in the states, in Taraba a fair

percentage are aware, in Bauchi a good percentage, except for Kwara and Nasarawa with a satisfactory level of awareness.

Even among senior government officials, their awareness of certain reforms, especially those not within their immediate jurisdiction but interrelated to their jurisdiction, are very low. For example, interviews with senior government officials and procurement officers in different MDAs communicates disparity in understanding and compliance with the procurement laws and procedures, a very critical gap that must be filled.

64.41% of respondents interviewed have little or know nothing about the legal frameworks in which their public procurement system is built upon in the state, a dint to transparency and community ownership, making it impossible for citizens wide engagement and CSOs serving as accountability monitors to ensure strict compliance to the regulation and champion transparency and accountability initiatives contextualized in the law.

Gaps in implementation of open contracting portals and availability of procurement data

Three of the states analyzed had an open contracting portal published, and one state had a portal that is not active. The review revealed **none of the portals publish procurement records and information on all stages of the procurement process**, from planning through advertisement, tendering and award.

While the portals have indeed provided a robust contract administration feature, **citizen feedback features are all missing** on the subnational portals, a very huge setback for citizens to share feedback on quality and effectiveness of public procurement.

In all of the states, there is a lack of a proper platform to support an e-procurement system and for the timely and qualitative release of public procurement data. **The procurement information and opportunities are published in a tender journal**, a periodic journal that contains all calls for bid submission from public service providers in regards contracts intended to be awarded by the government at certain intervals usually monthly. Such journals have since then served as repositories for public procurement data for contracts above the threshold for internal contract award. Where contracts are small and based on the procurement method, some contract information is published in newspapers, strategic notice boards in the relevant MDAs, a method which service providers are aware of. In addition, public procurement information published on social media handles of government agencies and/or of public procurement agencies or a times personnel's and also on the world bank supported SAAS e-procurement solutions in states like Kwara in addition to aforementioned ways of tender journal and notice boards.

Public finance data is accessible but with challenges

Public finance data like approved budget, citizens budget, quarterly performance reports, audited account statements are open and publicly accessible to all citizens with access to internet connectivity in all the states. Though some information especially on budget is passed over local radio, majorly all public finance data are published on state government websites and relevant MDAs websites and social media in rare instances. In all the six (6) sub-nationals accessed, all the states have at least the past year's budget and quarterly budget performance report online.

Interviews conducted communicate some challenges faced by citizens in accessing such data. From unfriendly website structures, inability of laymen to comprehend technical documents to failure of governments to provide feedback when confronted with issues needing clarifications.

Both for fiscal and procurement data, there is a lack of technical administrative skills by both state actors, to proactively disclose data and non-state actors to use published data to demand better service delivery.

Lack of awareness and use of procurement data

Public procurement data normally published on open contracting portals, tender journals, newspapers and of recent on state and relevant MDAs website has been minimally accessed and utilized to improve competition and service delivery by underrepresented groups but the aforementioned statement is only applicable to states that have publicly accessible procurement data repositories. For states like Katsina and Nasarawa, public procurement data remains inaccessible and usage impossible.

Reasons vary from inaccessible procurement data from sub-nationals and lack of capacity of underrepresented groups to utilize such data to improve competition in public procurement as it improves value money and quality of service.

However, there is some evidence of efforts to boost inclusion for small and medium businesses. For instance reports in Kwara about the number of contracts awarded to women-led organizations, persons with disabilities, Small and Medium Enterprises, youth and other underrepresented groups.

Poor perception of state transparency

On a scale of Poor-Fair-Good-Satisfactory-Excellent scale, an accumulation of respondents from Katsina and Sokoto have poor perception of transparency in their State, in Taraba a fair perception, in Bauchi a good perception except for Kwara and Nasarawa with a satisfactory level of public perception in regards to state transparency.

Even among civil servants, their perception on state transparency varies with the majority accepting as true their MDAs are opaque and not transparent enough to win citizens trust majorly due to lack of political will and commitment to sustainable reform from the political class. In addition, consultation processes with citizens for decision making, transparency in the public finance system and providing feedback to complaints, are practices that have not been institutionalized.

Membership to Open Government Partnership (OGP)

The states are committed to public procurement Disbursement Linked Indicators (DLIs), and they are working hard to meet up and collect the SFTAS grants; however, there is a lack of commitment to transparency and accountability tools that will create sustainability in governance and will also create a structured platform for citizens and state engagement like the OGP. Out of the six states only the states of Taraba (not yet inducted) and Nasarawa are members of the Open Government Partnership supporting the federal government commitments while the states of Katsina, Bauchi (indicated interest), Sokoto and Kwara (indicated interest) are still not signatory to such.

The findings further recognized the major drivers of public procurement reforms at the sub-nationals to be the World Bank State Fiscal Transparency, Accountability and Sustainability (SFTAS) PforR grant and the Open Government Partnership a further reason to encourage the

institutionalization and ownership of open government initiatives and governance reforms through thorough compliance with the legal provisions and by deliberate inclusion of citizens and civil society organizations in reforms so they serve as ombudsmen and ensure sustainability beyond political administration of the incumbents.

RECOMMENDATIONS

- There is a need for comprehensive development of training plans and capacity building with the procurement entities to cascade the training in their respective departments. The Staff at the MDAs should be trained in procurement standards and guidelines. The state Government can be facilitated to have effective oversight on procurement.
- Fastrack the design and the simplification of the frameworks, policies and manuals into local languages, infographic and simplified media in regards to the new procurement law, especially as it mainstreams the involvement of CSOs, Women, and PWDs.
- Deployment of e-procurement initiative and an OCDS portal
- Strengthening the capacity of Government Officials to disclose procurement data proactively and of CSOs to demand better service delivery.
- The study recommends multi-stakeholder advocacy for the design and adoption of inclusive programming to support vulnerable groups access and utilization of procurement data and for the strengthening of both technical and administrative capacity of government officials to disclose procurement data proactively and of CSOs to engage and use such data to improve efficiency, effectivity and value for money.
- Work with the states, including the non-state actors to join and commit to Open Government Partnership within the states. And also encourage the states to join the OGP global as a local.

PHILIPPINES

Predicting public procurement irregularities in the COVID-19 response of Local Government Units (LGUs) in the Philippines

Researcher: John Raymond Barajas

[Full report](#)

SUMMARY

From examination of 296,220 local government unit contracts (LGUs), this project was able to develop a logistic regression model capable of predicting potentially irregular LGUs contracts (with a Notice to Proceed order issued prior to awarding) posted in the PhilGEPS website for the fiscal year 2020. While the model has some limitations, it is seen to be highly beneficial as a decision support tool for LGUs since this could potentially narrow down the number of awarded LGU contracts to be legally reviewed resulting in faster turnover of review cycles conducted within a given fiscal year. In addition the research developed a methodology to automatically identify the main audit topics and recommendations from the audit reports published by the Commission on Audit (COA) that could help LGUs attend to usual problems encountered in their procurement process and could also provide an avenue of reducing the time it would need to audit awarded contracts.

FINDINGS

There is a low awarding rate

On average, only 2 out of 10 LGU contracts have been awarded in 2020. And for every Php1 spent, approximately Php1 remains unspent in the procurement of goods and services made by LGUs. This unspent public funds is indicative of inefficiencies in the public procurement process implemented by the LGUs.

Low spending on COVID-19 contracts

Excluding LGU contracts not posted in the PhilGEPS website, only Php10 billion (2.16% of the total LGU budget) was allocated for COVID-19 related contracts. At a population of 100 million, this appropriated budget implied that every Filipino would be given an allocation of Php100 (about \$2 US Dollars) at the minimum. Most of the COVID-19 contracts procured consumables related to relief efforts. For the other procedures, 40% of the budget went to construction projects.

Potential irregular contracts found

About 786 contracts were flagged as potentially irregular since the difference between the Notice to Proceed and Award dates were found to be negative. This is in clear violation of the Revised Implementing Rules and Regulations of Republic Act 9184. A total of Php720 million (\$1.4 million) were allocated to potentially irregular contracts. Two LGU were found to have the higher number of potential irregular contracts (the City of Cebu and the Municipality of Tuba).

To identify potential irregular contracts in the future a prediction model through a logistic regression model capable of identifying irregular contracts was developed. The accuracy of the model is very high (91.29%), meaning the classifier is correct 91% of the time. However, the model has some limitations since it would be expected that a significant number of non irregular contracts would be flagged as such. Also the model is only capable of identifying potentially irregular LGU contracts that have already been awarded and no substantial findings could be related to features pertaining to unawarded contracts.

Non compliance to documentary requirements and unauthorized cash advances are the most common violations of LGU's

Based on a hierarchical clustering analysis of the Audit reports, the main violations of LGUs relate to non compliance to documentary requirements and unauthorized cash advancements, such as discrepancies in financial statements, violations of circulars related to inventory management disposal and potential violations to existing circulars, memorandums, and Philippine laws made in procuring goods or services in times of the COVID-19 pandemic.

In addition the main recommendations to prevent such violations were primarily centered on directing accountable officers to comply with documentary requirements mandated by existing circulars, memorandums, and Philippine laws. By utilizing then the sub-clusters identified in this work, it would now be possible to narrow down activities and cut the time required for site visits and inspection of auditors since they would now have a grasp on what an LGU or group of LGUs typically violate in the public procurement process. In essence, auditors could use these grouped audit findings to help them create a customized template of their audit plans tailor-fitted to the past and present procurement practices of an LGU (or even a group of LGUs). While this work was not anymore able to provide a proof of concept for this insight due to the limitation on computational resources, these formed clusters are seen to be substantial foundations for the development of a recommender system that could help partially automate the creation of these audit plans.

RECOMMENDATIONS

- LGUs should spend public funds. The ratio of spent and unspent funds should be increased to at least 2:1 especially in this time of a health crisis.
- Compliance to documentary requirements was seen to be the most critical audit finding common to the LGUs considered in this work; hence, to avoid violations in the public procurement process, it is suggested that LGUs should mandate and direct key personnel (e.g. municipal accountants, municipal treasurers) to check the completeness and legality of submitted documents prior to awarding of contract and issuance of Notice to Proceed orders.
- With the unavailability of comprehensive audit findings for each LGU tender posted in the PhilGEPS website, it is also suggested that the relevant audit findings and audit recommendations by COA be integrated in the open standard dataset of bids and awards notices for each of the contracts posted. Integration of these audit findings in the dataset as

additional features for each contract posted could pave the way for an automated contract irregularity detection system that could be embedded within the PhilGEPS website.

- It is suggested that an Award-NTP (Days) feature be included in the standard open PhilGEPS dataset in order to monitor potentially “irregular” contracts.
- Now that a prediction model capable of tagging contracts as potentially “irregular” have been developed, the next suggested steps to be undertaken is to improve the precision of the model and possibly pilot-test its deployment after it is optimized. After model tuning, it would now be ready for deployment in the field. For model deployment, there are two pathways being considered for this next step: (a) serve the developed model as a mobile app, and (b) serve the developed model in an API client integrated in a website. These two pathways are the two basic frameworks to be followed when a prediction model is to be pilot tested. It is suggested that the prediction be first served offline in a periodic cycle in order to trouble shoot problems to be encountered upon deployment of the developed model. Results from these initial pilot-testing could also serve as a baseline for developing an effective architecture that will support an efficient deployment of the model. Once these problems are sorted out, transition to an online model service should also be explored. This service could also be potentially monetized by PhilGEPS as a premium service that could be integrated in the present electronic procurement system.

PUERTO RICO

Contracting in Recovery: Strengths and Weaknesses of Procurement Processes with CDBG-DR Funds in Puerto Rico

Researcher: Sembrando Sentido

[Full report](#)

SUMMARY

This research analyzed recovery funds for emergency works in Puerto Rico after hurricanes Irma and Maria caused massive damage to the island. Given that a large portion of recovery projects are delegated to, and carried out by third parties providers, Sembrando Sentido carried out an evaluation on the transparency, efficiency, and equity of public contracting processes. The evaluation seeks to help identify the root causes of delays and risks in recovery projects funded through the US Federal Department of Housing's Community Development Block Grant (CDBG-DR) program, which accounts for ~48% of CDBG fund allocations. The analysis also presents solutions and recommendations that can help strengthen public procurement and contribute to a fair, transparent, inclusive, and efficient recovery.

FINDINGS

Lack of transparency limits competition and obstructs citizen monitoring

Subrecipients (incl. municipalities, NGOs, and agencies) of recovery funds are not required to disclose procurement processes on [Puerto Rico's CBDG portal](#), and they choose their own methods of disclosure, in accordance with state laws and policies. As a result, subrecipients can disclose information in a decentralized manner, through dozens of newspapers, portals, and social media channels. Using the CDBG-DR portal to publish only a summary of sub-recipients' contracts rather than all contracting processes (including their bids), limits potential suppliers/providers from learning about opportunities in a timely manner and enabling them to prepare competitive offers. Additionally, it prevents citizens from knowing how recovery funds are used, hindering their ability to participate in decision-making and/or monitor progress of recovery projects.

Inefficiencies in contracting are costly and delay recovery

Extensions for bid invitations and limited proposal submissions point at a lack of competition. Based on the analysis of the public procurement data as disclosed in the CDBG-DR portal, the average number of days between an invitation and the deadline to deliver offers is 35 days. However, 39 tenders/procurement methods (56%) suffered amendments to their bid delivery dates, which indicates potential challenges around achieving multiple competitive proposals. Moreover, while the average number of participants per tender was 5, the average number of participants with eligible proposals was lower, 3.4. Additionally, among analyzed procurement processes, 10.9% were canceled, mainly due to lack of competition, and thereby resulting in wasted resources and further reconstruction delays. Formal procurement methods are suffering from significant delays. The

evaluation also found that on average, the number of days between a proposal invitation and the start of its contract (i.e. contract execution), is 175 days, or ~ 5.8 months. From receipt of proposals to execution, the processes took an average of approximately 147 days (~4.8 months). Within these, RFPs (~ 272 days) and NOFAs (~ 214 days) took the longest.

Inequity in contracting reduces opportunities for local businesses to grow

Companies from the US mainland continue to dominate over local providers. Among contracts observed, 65 (69.9%) were awarded to local companies and 28 (30.1%) to non-local companies. However, non-local companies received contracts with the higher amount of funds, 63.2%, compared to the funds received by local companies, which added 36.2%. Most of the 'large' contracts (those for handling, management, construction, and high-value ones) have been awarded to US companies (~63% of the total amount).

While it is often argued that US contractors have an advantage given their previous experience, little is discussed around the evaluation of these qualifications. For instance, companies such as ICF, Tetra Tech and AECOM, have previous reports of breach of contract (ICF) or allegations of false claims at the federal level (Tetra Tech and AECOM). The analysis also identified instances where companies (2 from PR and 2 from the US) for amounts between USD 4.7 and USD 50 million, appeared registered as recently as 2018 and 2019. Although competence and integrity are not exclusive to any region, conducting a rigorous evaluation of every bidder, its experience, qualifications, and performance is key to ensuring high-quality project execution. Even when accounting for subcontracts, inequity persists. The evaluation analyzed contracts and subcontracts. Out of 65 subcontracts, only 19 were Minority Business Enterprise (MBE) certified and 5 Womenowned Business Enterprise (WBE) certified. In a period as vulnerable for companies and employees as that of the pandemic, where business closures in Puerto Rico have exceeded 1,700, providing real economic opportunities can mark the difference between closing shop and migrating to the mainland, or truly recovering locally and building back better.

RECOMMENDATIONS

While this evaluation focused on contracting with CDBG-DR funds, it identifies critical weaknesses that need to be addressed to allow for more comprehensive, competitive, efficient and transparent use of emergency and disaster recovery resources in Puerto Rico. Hence, we ask Congress to support and request the United States Department of Housing and Urban Development to leverage its discretionary power to mandate:

1. The **centralization of information on all contracting and procurement processes** with CDBG-DR Funds **under a single integrated portal, which discloses end-to-end contracting information using open data standards**. This action will allow systematic analysis and monitoring of the processes, to evaluate deficiencies and their underlying causes, allowing for timely corrections and preventing the misuse of public funds. It will also allow companies to learn about all CDBG-DR procurement opportunities and simplify public procurement and contracting processes.

2. Addressing inefficiencies and lack of participation by **exploring e-procurement efforts to streamline bidding, evaluation, awarding and contract management processes**. It is important to emphasize that greater transparency of public procurement and contracting processes will also allow for greater clarity around 'why' delays persist and "what" solutions should be implemented.
3. **Greater accountability and continuity of public participation efforts**, where the beneficiaries and those impacted by these funds are truly empowered to become part of the process.
4. **Evaluating strategies that increase the ability of local companies to compete, suggesting simplifying processes** (such as certification of M/WBE) that allow and encourage more minority and women-led businesses to compete. Continuing to raise awareness around M/WBE certification and benefits can help increase successful participation of local companies in procurement opportunities.

Gender equality and social inclusion in public procurement: Qualitative framework

Researcher: Oxford Insights

[Full report](#)

SUMMARY

This research developed a qualitative framework to assess how inclusive procurement practices, policies, regulations and laws are within a country. The framework takes an end-to-end approach to public procurement; looking at pre-market engagement all the way through to contract management and evaluation.

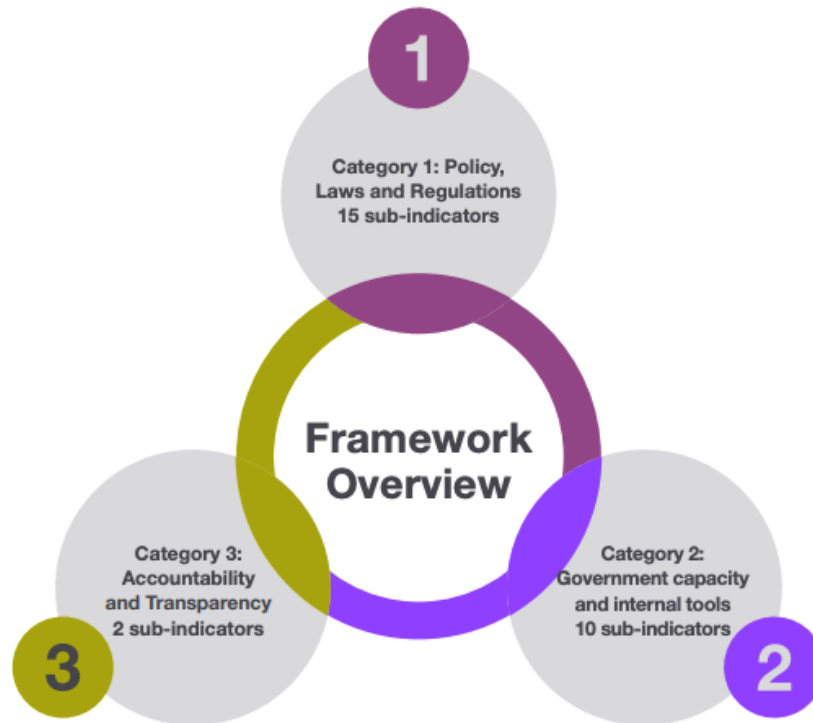
The goal is for countries to use this methodology to first conduct a baseline analysis and to better understand what policies, regulations and laws need to be created and/or changed to better increase inclusion in public procurement. It can then be used as a way to evaluate progress once these have been implemented. To determine how inclusive procurement is across government, assessors can look at the assessment criteria to identify if/how well each area is implemented, and then make recommendations based on their findings.

The framework is divided into three categories and 27 sub indicators.

The first category highlights the policy ecosystem, laws and regulations. It explores general GESI policies, laws and regulations, procurement policies, and others that are relevant to GESI-responsive procurement. This exploration helps assessors to gain insight into these areas that could either be useful for or may serve as a barrier to implementing GESI-responsive procurement practices.

The second category examines the tools that governments can employ to ensure GESI is mainstreamed across the procurement lifecycle and to make sure that procurement professionals are empowered to participate in this process. For instance it evaluates if there is preferential treatment for specific groups, pre market engagement events or GESI training for procurement teams.

The final category focuses on the GESI aspects of accountability and transparency as related to this framework.



FRAMEWORK OVERVIEW

To assess each of the sub-indicators, qualitative or quantitative analysis and user research might be needed.

Category 1: Policy, Laws and Regulations	Sub-Indicator 1: The government mentions GESI factors in their procurement law
	Sub-Indicator 2: The government has laws that protect against discrimination
	Sub-Indicator 3: The government has anti-discrimination laws that specifically focus on GESI (i.e. disability, gender, SOGI, race/ethnicity) and business.
	Sub-Indicator 4: Data is collected on women and minority owned businesses
	Sub-Indicator 5: Tenders require suppliers to demonstrate commitment to the local community
	Sub-Indicator 6:

	Tenders require bidders to demonstrate commitment to GESI in their projects
	Sub-Indicator 7: GESI policies and practices are embedded throughout the delivery of the project
	Sub-Indicator 8: Mechanisms for feedback have been implemented throughout the project
	Sub-Indicator 9: Evaluation of the current marketplace
	Sub-Indicator 10: The government actively procures for GESI-friendly goods/services
	Sub-Indicator 11: Certification models are used
	Sub-Indicator 12: Training programmes are created and implemented by the government to enable women and minority owned businesses to more easily apply to tenders
	Sub-Indicator 13: There are reserved procurement opportunities for companies that have been certified as women and/or minority owned
	Sub-Indicator 14: There are reserved procurement opportunities for SMEs
	Sub-Indicator 15: There are financing programmes aimed at increasing the number of women and minority owned businesses within the country
Category 2: Government capacity and internal tools	Sub-Indicator 16: GESI terms are defined within the context of procurement
	Sub-Indicator 17: Equality criteria for suppliers is specified and published in the tender notice
	Sub-Indicator 18: Determine the criteria for preferential treatment
	Sub-Indicator 19: The government holds pre-market engagement events

	Sub-Indicator 20: There is a procurement strategy which mainstreams GESI
	Sub-Indicator 21: The government evaluates the success of GESI based procurement laws/policies/practices
	Sub-indicator 22: GESI practices and policies are used in hiring practices for procurement and assessment teams
	Sub-Indicator 23: Training is provided to procurement teams on GESI practices and policies
	Sub-Indicator 24: Cross-governmental working groups exist that relate to GESI practices
	Sub-Indicator 25: GESI is considered throughout the procurement lifecycle
Category 3: Accountability and Transparency	Sub-Indicator 26: Data collected through the quantitative and qualitative reports are published openly by the government
	Sub-Indicator 27: Civil society supports GESI procurement and is engaged with government

About the Open Contracting Partnership

The Open Contracting Partnership is a silo- busting collaboration across governments, businesses, civil society, and technologists to open up and transform government contracting worldwide. We bring open data and open government together to ensure public money is spent openly, fairly and effectively. We focus on public contracts as they are the single biggest item of spending by most governments. They are a government's number one corruption risk and they are vital to ensuring citizens get the services that they deserve. Spun out of the World Bank in 2015, the Open Contracting Partnership is now an independent not-for-profit working in over 50 countries. We drive massively improved value for money, public integrity and service delivery by shifting public contracting from closed processes and masses of paperwork to digital services that are fair, efficient and 'open-by- design'.

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