Reinforcing Infrastructure Development in Iraq
Session 6: Integrity tools for Public-Private Procurement
30 April 2010

TOPICS TO BE COVERED

• I. Key considerations regarding public procurement
• II. Key consideration regarding Iraq
• III. Bribery Risks in public procurement
• IV. Tools to enhance integrity in public procurement
• V. Considerations regarding Iraq
Key considerations regarding public procurement

- Public procurement is an important economic area for all countries – 15% of GDP OECD average – well above in less developed countries
- Public procurement contracts lend themselves to bribery = a long and complex process where corruption can occur at all different phases
- Image of legitimacy to mask the irregularities
- No economy and no sector are free from risks
- Appears in association with other crimes
Public Procurement rules and procedures

• No real difference between public and private contracts methodology but difference in use of funds

• The laws or regulations on public procurements are to:
  – Increase competition,
  – Increase transparency in the decision process,
  – Facilitate the task of the buyers,
  – Obtain the best quality/price ratio,
  – Reduce the risks of errors of the buyers...
Absence of clear procurement rules;
Unclear regulations which are always changing
Ignorance of procurement procedures
= unwillingly or purposely lead to corruption

Need clear procurement rules and procedures
&
Bribery needs to be an underlaying consideration
II. Key consideration regarding Iraq

- Multitude of legislation and complementary rules & regulation
- Independent institutional arrangements & coordination/verification
- Conflict of interest in the civil service
- Difficulties in the formulation of tender specification
- Collusion and breach of confidentiality
- Process of remuneration of contractors & payment of contracts
- Limited domestic resources:
  - Need to develop the private sector
  - Need to train officials involved in public procurement
III. Bribery Risks in PP

At the stage of the tendering process:

- Identification of needs & design of tenders
- Selecting a business
- Bidding procedure
  - Non-competitive bidding;
  - Framework contracts;
  - Competitive bidding.
- Contract Award
- Contract Execution
All economies and sectors are at risk

**Contract size**: large contracts versus subdivided projects

- High risks associated with sectors/projects for which evaluation and cost comparisons are difficult (information asymmetry). This is generally the case for vast, highly centralised, capital intensive new projects involving high technologies or sophisticated materials.
- Smaller-sized contracts may result in high amounts when added together

**Services**: subjectivity and discretion leading to single source contracts.
Bribery and Corruption are not alone

Bribery and Corruption come in association with:

- Money Laundering
- Tax evasion
- Accounting crimes
- Fraud
- Collusion
- Political Party Financing
- Conflict of Interest
- Organised crime and blackmail
Tools to enhance integrity in PP

Prevention
• Adequate legal frameworks
• Public notice and transparency
• Training procurement personnel
• Integrity measures
  – Clear lines of responsibility
  – Four eyes principle
  – Rotation of staff
  – Defining ethical standards
  – Integrity pacts

Accountability and control
• Internal controls
• External controls
  – External audit
  – Forensic auditors
  – Public scrutiny (public oversight bodies; parliamentary controls; direct social controls)
Detection

• Red Flags
• Reporting and recourse mechanisms
• Teamwork

Investigations and Sanctions

• Application of regulations & sanctions
• Multidisciplinary investigations
• International harmonisation and co-operation
V. Proposal to enhance integrity in public procurement in Iraq

OECD can assist in:

• increasing awareness of the commitments deriving from international obligations to engage in anti-corruption actions and policies in public procurement

• Enhance knowledge of measures and tools to prevent corruption through:
  – Exchanges among experts on concrete ways to strengthen procurement systems
  – Provide awareness-raising & Training materials
Tools to prevent, detect and investigate bribery

- Integrity tools aimed at public procurement (including integrity pacts but also transparency, good management, accountability and control tools and criteria)
- Risk assessment of corruption challenges in public procurement
- Development of detection indicators or “red flags”