

ADB/OECD Anti-Corruption Initiative for Asia and the Pacific

The Secretariat

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Curbing Corruption in Public Procurement

Second Master Training Seminar

ADB/OECD Anti-Corruption Initiative for Asia and the Pacific

7-9 July 2004, Manila, Philippines

organized in cooperation with

SGS

Société Générale de Surveillance, Geneva

Facilitators: SGS Aid Monitoring Services (Robert Jourdain, Genevieve Roces, Clarissa Soriano), together with Daniel Ivarsson, Independent Consultant



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Introduction

In the framework of the ADB/OECD Anti-Corruption Initiative, this seminar will address the following issues:

- a run-through of the “ideal” public procurement process;
- major corruption risks which can be identified during a public procurement process;
- discussion of the different procurement processes/steps while identifying their specific underlying dangers, measures to be taken, good practices, etc.¹;
- initiatives of the public and private sectors in combating corruption through reshaping of procedures so as to come up with sound procurement procedures, business integrity management, and implementation of an anti-corruption program; and
- identification and discussion of clauses, articles, or procedures from the ADB/OECD Anti-Corruption Initiative for Asia-Pacific, the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions, the ADB Anti-Corruption Policy, and the UN Convention against Corruption which are relevant to public procurement.

Session 1 – Definitions: Key Concepts and Principles in Public Procurement and the Impact of Corruption

This session will introduce the audience to the general concept of public procurement, its importance in national economies, and its basic principles of economy, efficiency, transparency, and fairness. Key concerns of corrupt and fraudulent practices will be discussed along with their correlation to development. The main steps of a procurement process will be presented together with their methods and underlying requirements for meeting Good Governance principles.

Figures on the ‘global impact of corruption’ (with captioned source of information) will also be presented. The aim thereof is to draw the audience’s attention to the gravity of the issue and to the amount of resources wasted due to fraudulent practices. The effect of corruption will be presented by region (with country specifics in a given region) based on which comparisons and general conclusions will be generated. This exercise will in the end allow estimating the effect of reducing, if not minimizing, corruption in public procurement.

¹ Methods and techniques will be presented, together with case studies to be discussed in breakout sessions, so as to provide participants with a clear understanding of the key areas of concerns in public procurement and how those can possibly be addressed.



Session 2 – Risks: Identifying Corruption Risks in Public Procurement

This session will start by introducing the key intervening parties involved in the five main steps of a public procurement process. It will then provide an opportunity for participants to discuss instances of malpractice which could occur during that process.

A set of 30 examples will be distributed to the audience and reviewed during a breakout session (6-8 persons per group). Each group will be requested to

- work on examples related to a specific procurement step,
- come up with corrective and preventive actions, and
- identify the intervening party which could/should be responsible for its implementation.

In preparation of later sessions of the seminar, and prior to lunch break, the following documents will be distributed to all attendees:

- A survey form to be used in session 4 (to be filled in and returned during the afternoon coffee break of day 1)
- Handouts to be used in session 8(b); this case study is distributed for advance reading, and will be discussed during the afternoon session of day 3.

Session 3 – Public Initiatives: Reshaping the Procurement Process

Session 3 cites the Philippine procurement setting as an example of the Philippine Government's initiative to harmonize its procurement laws. The evolution of the Philippine Procurement Reform Act will be discussed along with the merits in having unified standard methods and procedures for all public procurements. Information on this country example will be extracted from SGS' experience in the study of the Philippine Procurement Setting (as commissioned by JBIC Representative Office in Manila).

Other innovative tools in minimizing corruption through enhancing transparency of procurement procedures will also be introduced. In this view, the utilization of the World Wide Web, the introduction of e-government, etc will be presented. Again here, the Philippines will serve as a model as the latest relevant Philippine law (Republic Act 9184) contains respective provisions.



Session 4 – International Instruments’ and Policies’ Relevance to Procurement

This session serves to present procurement related sections of the following international instruments and policies:

- ADB/OECD Anti-Corruption Initiative for Asia-Pacific,
- OECD Anti-Bribery Convention,
- ADB Anti-Corruption Policy, and
- UN Convention Against Corruption.

As an introduction, the results of the survey that was distributed on day 1 to gauge the level of exposure of the attendees to the above topics shall be presented. Then, the instruments’ history and purpose will be outlined, followed by a presentation of action plans and procedures addressing public procurement.²

Session 5 – Tools: A Systemic Approach to Detect Corruption in Public Procurement

This session presents three tools that are currently used – each with different cost benefit ratios - by multilateral development banks to identify and prevent corruption at key steps of the project cycle. The session also provides an opportunity to discuss how similar tools can be implemented by governments in public procurement processes.

The three tools will be presented, namely

- the “Independent Procurement Reviews” used for ex-post evaluation,
- the “Documentary Verification of Procurement Processes” used to conduct on-going checks, and
- the “Risk Profiling of Implementing Agencies” as a tool for ex-ante identification

Discussion will aim at identifying how these tools can assist in reinforcing the “due diligence” process and enhance the basic exigencies of a sound procurement cycle management. The first tool combines on-the-spot documentary verification with quantity, quality and price assessments. The second tool focuses on documentary compliance verification. The third tool, Risk Profiling of Implementing Agencies, is based upon auditing and inspection methods and techniques. Its purpose is to identify strengths and weaknesses of implementing agencies or procurement entities and to suggest corrective and preventive actions. Providing a benchmark against best practices, the Risk Profiling tool is also used as a monitoring and evaluation system for the whole project cycle, including procurement cycle management.

² A compendium of the relevant articles and procedures shall be used as guidelines, which in turn shall be used as basis for Session 8(b) on Day 3.



Session 6 – Private Initiatives

Session 6 presents the International Federation of Consulting Engineer’s (FIDIC) “Business Integrity Management System” (BIMS), its use in private sector firms as well as key aspects of this approach which may be adopted by public administrations.

The goal FIDIC pursues with the design and dissemination of BIMS is to help the service industry take action against corruption. Worked out along the lines of quality management systems in general, BIMS comprises the formulation of an integrity policy and a code of conduct, business integrity procedures and enforcement measures, as well as monitoring and review arrangement.

Session 7 – Strategy: How to Implement an Anti-Corruption Program?

This session will discuss the experience of SGS in overcoming a corruption crisis which arose at the occasion of a public tender for an Import Verification Contract and how the Board and Management of SGS reacted by setting-up its Global Ethics Program. This case study leans on a recent World Bank publication that describes the experience of private sector’s efforts in combating corruption.

In small working groups, each participant will be invited to (a) read over the SGS case study, (b) identify key areas of what could possibly support an anticorruption initiative and (c) present the groups’ findings to the other participants. Based on these findings, a model Public Ethics Infrastructure will be suggested and offered as a basis for a sound public procurement system.

Session 8 – Case Studies: How to Identify and Prevent Corruption in Public Procurement?

In this session, participants will have an opportunity to discuss actual cases of fraudulent or wrongful procurement that could possibly be linked to corruption.

In a first part, a set of 4 to 8 case studies will be distributed to the audience and reviewed during a breakout session (6-8 persons per group). Each group will be invited to read a half-page case study and answer the following questions:

- (a) To which procurement step and procurement principle(s) does the case refer to?
- (b) What could or should have been the Executing Agency’s decision?

In a second part after lunch break, groups of 4 to 6 participants will analyze a mock case study which has been distributed on the seminar’s first day for advance reading. The scenario is laid down in a 5 to 10-page document that describes a controversial case undergoing a complete public procurement process, and a questionnaire will be handed to the groups. The objective of this exercise is to simulate a “Documentary Verification of Procurement Processes” as discussed in session 5 (b) based on sanitized real procurement documents and by using articles and procedures discussed earlier in session 4.



Agenda

7 July (Wednesday)

09.00 – 10.30	Opening session Welcoming remarks by the ADB/OECD Secretariat Brief introduction roundtable of the seminar participants Session 1: Definitions Key concepts in public procurement and global impact of corruption in public procurement
10.30 – 10.45	<i>Coffee break</i>
10.45 – 12.00	Session 2: Risks Identification of corruption risks in public procurement Group work in breakout sessions Distribution of a survey form for session 4; distribution of handouts for case studies for session 8 (b)
12.00 – 13.30	<i>Lunch</i>
13.30 – 15.00	Session 2: Risks – continuous Group presentations and discussion
15.00 – 15.15	<i>Coffee break</i>
15.15 – 16.45	Session 3: Public initiatives to reshape procurement processes The Philippines' procurement setting, e-procurement and e-government
19.30	<i>Dinner hosted by the Office of the Ombudsman of the Philippines for participants to Steering Group meeting and Procurement Training (Amorsolo Ballroom, Holiday Inn Galleria Manila)</i>



8 July (Thursday)

09.00 – 09.45	<p>Session 4: International instruments’ and policies’ relevance to public procurement</p> <p>Presentation of the results of the survey distributed during session 2</p> <p>Discussion of the following international instruments’ and policies’ provisions regarding procurement:</p> <ul style="list-style-type: none"> – Anti-Corruption Action Plan for Asia-Pacific – OECD Anti-Bribery Convention – ADB Anti-Corruption Policy – UN Convention against Corruption
09.45 – 10.30	<p>Session 5: Tools (a)</p> <p>Discussion of approaches to detect corruption in public procurement: independent procurement reviews and primary checks – incl. “matrix” and risk profiling of procurement entities</p>
10.30 – 10.45	<i>Coffee break</i>
10.45 – 12.00	<p>Session 5: Tools (b)</p> <p>Exchange of experiences: Participants will be invited to briefly present the tools that are used in their countries and perceived advantages and disadvantages of these tools.</p>
12.00 – 13.30	<i>Lunch</i>
13.30 – 14.30	<p>Session 6: Private initiatives</p> <p>FIDIC’s Business Integrity Management System (BIMS)</p>
14.30 – 14.45	<i>Coffee break</i>
14.45 – 16.45	<p>Session 7: Strategy</p> <p>SGS case study (anti-corruption program implementation) and its relevance to the public sector</p> <p>Group presentation and discussion</p>
<i>Evening</i>	<i>free</i>



9 July (Friday)

09.00 – 10.30	Session 8: Case studies (a) How to identify and prevent corruption in public procurement Group work in breakout sessions
10.30 – 10.45	<i>Coffee break</i>
10.45 – 12.00	Session 8: Case studies (a) – continuous Group presentations and discussion
12.00 – 13.30	<i>Lunch</i>
13.30 – 15.45	Session 8: Case studies (b) Presentation and discussion in small groups of case study that was distributed during session 2, including work on analysis template
15.45 – 16.00	<i>Coffee break</i>
16.00 – 16.45	Closing session Summarization of the seminar’s main findings Workshop evaluation Closing remarks by the ADB/OECD Secretariat

