

Interacting with the public procurement system in Russia: good practices and guidance to fight bid-rigging

Moscow (6 February, 2018) Kazan (7 February, 2018)

The seminar “Interacting with the public procurement system in Russia: good practices and guidance to fight bid rigging” was the next iteration in the seminar series on Business Integrity in Russia, funded by the Siemen’s Integrity Initiative and supported by FAS and Deloitte CIS. Two seminars were hosted in Moscow and Kazan, on 6 and 7 February (8:45-13:00), gathering 120 participants.

Speakers and participants discussed how bid rigging, cartel behaviour and other procurement-related risks manifest, lead to quality reduction and (global) average price mark-up of 15-20% (and in some cases up to 80%). They explained how international and domestic companies can and do reduce such risks when engaging in public procurement in Russia. Company approaches include “Know Your Customer” (KYC) due diligence (including media assessment and following procurement cycles until the end); establishment and constant monitoring of red-flag systems; removing middle-men or third parties; enlisting companies’ own investigations of subsidiaries or suppliers; unifying compliance and control functions, platforms for risk and information-sharing; sanctioning clients or third parties for misconduct; rewarding whistleblowing; ensuring separation of key roles; involving experts; and moving to long-term contracts to reduce opportunities for abuse or mismanagement.

Open questions remain about the validity of claims against companies and their effect on the system and fairness; scope for leniency agreements based on compliance programmes; and the risks and opportunities of block chain and other technologies (robots/algorithms used for bidding). It was anticipated that, in the future, that companies will increasingly outsource counterparty verification/due diligence, and find more innovative ways to promote their reliability, such as through a “digital passport” that verifies their reputation or for fronting the costs of verification of their company. Participants expressed concern about the increasing number of complaints that FAS receives about companies— suggesting to watch out for “professional complainers” or unwarranted claims.

A panel on international trends and guidance included:

OECD (Hector Lehuède, Alison McMeekin, Despina Pachnou (DAF/COMP))

Deloitte (Alexey Ivlev)

FAS, Moscow (Andrey Tsyganov, Dmitry Artushenko, Tatiana Loginova)

FAS, Kazan (Sergey Pavlov, Anastasia Zhlutka, Mukhamed Khamukov)

A panel on company practices in mitigating risks in contracting with the state included:

GSK (Maria Birenberg)

SETonline (Aleksander Stetsuk)

Avtodor (Vadim Soloyev)

TatNaft (Valery Nugmanov)

The seminars saw much engagement and questions between the panels and the audience, consisting of representative of electronic online trading platforms hosting e-procurement tendering and bidding, and companies in road construction, oil and gas and consulting amongst others.