

Develop procurement risk assessment tools

Summary

Procurement risk assessment tools rely on publicly available data at MS or EU level to assess risks related to public procurement. These tools can serve different purposes, for instance, benchmarking contracting authorities, performing conflict of interest checks or identifying red flags for potential corruption risks.

Open data and data mining trends play a key role in this regard. Indeed, procurement data published on tender notice websites, government databases and public registers offer new avenues for developing initiatives and tools that monitor and control procurement procedures, flag collusion and corruption risks, and help proactively prevent corrupt practices. Whether it is to cope with a lack of initiatives at MS level, or simply to create new tools that can be transferred and reused in other MS, international associations, NGOs and academia are becoming more active in extracting, analysing and mining procurement data. Although many of these initiatives are still at an early stage, some are showing promising results and potential for reuse.

Typically, these tools are available online and accessible to the general public, with a user interface with functionalities such as browsing through procurement data, highlighting risk areas, and providing a risk score. In some cases, risks assessment tools are only intended for internal use by anti-corruption authorities or similar bodies. For instance, the European Commission developed ARACHNE as a risk-assessment tool available to Managing Authorities for detecting errors and irregularities amongst their projects and beneficiaries.¹

Both contracting authorities and economic operators benefit from the use of procurement risk assessment tools. Namely, economic operators can use these tools to gather information on the performance of contracting authorities by consulting key indicators regarding transparency, efficiency in conducting procedures, cases of legal misconduct, etc., facilitating a decision to do business with a given contracting authority. Contracting authorities can use these tools to adjust and improve the way they conduct procurements, for instance, by drafting better tender specifications. The general public and members of academia can be users of procurement risk assessment tool, as well. Indeed, the more citizens and watchdogs engage in monitoring of public procurement via procurement risk assessment tools, the broader the impact will be of these tools.

Input

Cost – €€



Time – More than 12 months

Extensive test phase and fine-tuning of indicators



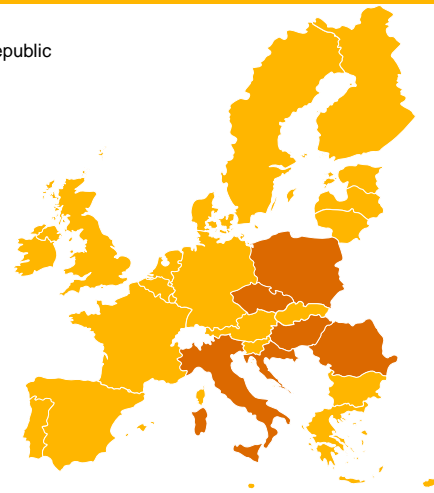
Complexity – High

Regular and frequent update and maintenance of the tool's website



Good Practice Examples

- ✓ Croatia
- ✓ Czech Republic
- ✓ Hungary
- ✓ Italy
- ✓ Poland
- ✓ Romania



Impact

Strengthen anti-corruption efforts



Risk assessment tools provide an analysis of procurement data, which gives key information about corruption risks in procurement, thereby facilitating the work of anti-corruption bodies, civil society watchdogs, etc.

Increase transparency



Procurement risk assessment tools provide additional information and analysis of procurement data increasing overall transparency.

Improve accountability



Tools that assess the performance of contracting authorities (purchasing behaviour, transparency, legal misconduct etc.) and make this information public, make contracting authorities more aware of their reputational risks and therefore more accountable towards the general public.

Related Good Practices

- Transparency platforms
- Public contracts registry
- Voluntary oversight of procurement procedures
- Interoperability between e-procurement systems and other government databases
- National database of public procurement audit errors and irregularities

Key success factors and potential pitfalls

Define the needs for the tool

Although setting up a procurement risk assessment tool seems relevant for all MS regardless of their weaknesses, an initial needs assessment should be performed in order to determine which areas of procurement deserve attention and should be addressed via the tool. Additionally, it is important to target end users early in the process in order to avoid developing tools that are not used in practice. Furthermore, it needs to be decided who will manage the tool.

Assess data availability

Assessing the availability of relevant procurement data is crucial in designing the tool and determining what it can achieve. A first step is to confirm whether the data is open. If so, looking at the volume and type of data available is a second step. In terms of data quality, assessing whether the data to be used is standardised will determine the level of complexity of using the data. Regarding data quantity, the types of data available (e.g. contract notices, contract award notices, information about suppliers) will inform the indicators that can be used. Finally, establishing how often the data is updated will help decide if its use is relevant.

Consider data reporting targets & the contract notice format

Data availability depends on how much and how well information is reported. Setting up data reporting guidelines and targets ensures a larger pool of available data but does not guarantee usability of data. Thus, the enforcement mechanism should indicate how much and in which format the data has to be published to ensure informative reporting via the risk assessment tool. Contract notices and contract award notices represent the main sources of procurement data and should therefore be designed in a way that allows to capture the same type and level of information across all documents for onwards transmission to and use by the risk assessment tool.

Set up the right indicators

Selecting the right indicators is challenging regardless of which procurement aspect is assessed. The more stakeholders are engaged in discussions regarding the context, rationale and objective of the tool, the easier it will be to define indicators. Various procurement stakeholders should be part of the indicator-definition process, including: lawyers, experienced procurement practitioners, researchers in the field of procurement, auditors, oversight authorities, etc.

Promote and disseminate

Promotion and dissemination activities should occur early in the process and could even be initiated when creating the pool of procurement experts for defining indicators, as these experts can serve as 'multipliers' for the tool. The success of the tool also depends on the use stakeholders make of it. Therefore, it is important to inform them already during the development stage to ensure a wide uptake.

Case Study (1)

Czech Republic – Benchmark for contracting authorities*

ZIndex² was introduced in 2010³ with the aim of measuring the performance of public bodies operating with public money with regards to openness, competition and transparency in the way they conduct procurement procedures. The tool was developed by EconLab⁴, formerly Centre of Applied Economics, an NGO that works with the Institute of Economic Studies at Charles University in Prague. More specifically, ZIndex assesses the compliance of contracting authorities of similar structure and purchase volume with public procurement best practices by rating their level of transparency, efficiency and vulnerability to corruption.

ZIndex is not only useful to economic operators in gauging the performance of contracting authorities, but also to contracting authorities themselves in identifying points of attention in the way they conduct procurement procedures, so as to improve their practices and align their activities with procurement good practices.⁵

The methodology behind the tool relies on a set of 11 indicators that cover three concepts: openness, competition and transparency. Openness reflects the level of contract accessibility to bidders and is measured via three indicators: public procurement shares of total purchases, use of negotiated procedures without publication and consistency of practices in managing the procurement process (e.g. rates of tender cancellations, amendments to contracts etc.). Competition refers to the way and the frequency with which firms actually compete for a contract. It is measured via four indicators: winner concentration (i.e. share of contracts awarded to the same bidder), bidder participation, pro-competitive tools (e.g. e-auctions), and legal misconduct. Transparency – defined as making procurement information publicly available – is assessed via four indicators: official national journal data quality, contracting authority profile data quality, supplier rating, and information provision. Full details of the ZIndex methodology and calculation are available on the ZIndex website.

Case Study (1)

The data collected comes directly from public websites and government databases such as business and commercial registers, the State Treasury Depository, the Office for the Protection of Competition, the websites of contracting authorities, the national official journal, as well as websites monitoring donations made to political parties.⁶ Data is also collected directly from contracting authorities that responded to a Freedom of Information request. Such data concerns the volumes of small-scale contracts awarded and the number of purchases made using a dynamic purchasing system or an electronic marketplace.

To test the methodology, a pilot phase was undertaken from 2011 to 2013 during which 194 municipalities were assessed. Those municipalities were divided in three groups: large cities, smaller cities and Prague districts. During the course of the pilot, extensive discussions with procurement lawyers, experienced practitioners and experts, and several rounds of comments have taken place to fine-tune the methodology and make it more robust.

The tool has proven to be successful in ranking municipalities in terms of public procurement openness, competition and transparency and is planned to be further used to rank other bodies such as hospitals and state-owned enterprises, as well as to publish related evaluation reports on a regular basis with the ultimate goal of incentivising authorities to improve their procurement practices.⁷

***Feasibility study on developing procurement risk assessment tools for benchmarking contracting authorities based on the Czech case study - available on the [e-library of public procurement good practices](#).**



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¹ European Commission, "Arachne" (2016), see: <http://ec.europa.eu/social/BlobServlet?docId=15317&langId=en>

² See: <http://wiki.zindex.cz/doku.php?id=en:start>

³ Chvalkovská, J & Skuhrovec, J., "Measuring transparency in public spending: Case of Czech Public e-procurement Information System" (2010), see: <http://ies.fsv.cuni.cz/default/file/download/id/13692>

⁴ See <http://cae.zindex.cz/en/>

⁵ Public procurement best practices considered are based on recommendations made by international institutions such as OECD, the European Commission which promotes integrity rules in public procurement and advice to avoid common mistakes, as well as national bodies including ministries and non-governmental associations that publish guidelines on how to perform fair and efficient procurements

⁶ See: www.politickefinance.cz

⁷ Skuhrovec J.m Soudek J., "zIndex – Benchmarking Municipalities in Public Procurement" (2016), see: <http://ies.fsv.cuni.cz>