

## Transparency in Public Procurement

Uğur Emek

07.08.2018, 09:15-12:15

### Description

Public institutions purchase goods, services, and construction works to fulfill their duties. This activity of the government is named as 'public procurement'. Supplying information technology, providing healthcare services, constructing roads and bridges can be counted as examples of public procurement, or government expenditure. Expenditures are financed with taxpayers' money. Therefore, public institutions have to consider the return of the expenditure made in purchases of goods and services.

On the other hand, public expenditures are susceptible to corrupt practices. Although the cost of corruption is hard to measure due to confidentiality, it is safe to argue that corruption in public procurement has negative effect on public expenditures. These effects arise as a result of the inhibitory effects of corrupt practices on competition in markets, and further disruption of economic growth. Due to the deterioration of competition, government payments increase disproportionately in public procurements.

In spite of the enormous negative effects, and the efforts to take the corruption in public procurement under control, corruption in public procurement is widespread in both developed and developing countries. Initiatives to fight against corruption and to reform public procurement process are taken simultaneously. In this context, rules promoting competition, transparency and accountability are valued and more importantly these concepts are promoted in markets of public procurement as norms.

During the course, actions taken for preventing and punishing corrupt practices will be discussed.

*Prevention:* Corruption can be investigated after it is revealed, yet it is more important to take preventive measures to eliminate the possibility for the risk to emerge. Preventive measures may include establishing anti-corruption institutions and assuring that the finance of political parties is transparent. Besides, states are also taking measures to improve competition, transparency, efficiency and merit-based assignment.

*Punishment:* On the other hand, states consider corrupt actions as crimes by law and anticipate punishment. In this context, interest conflicts, aiding and abetting, and laundering money are also considered crime, besides fraud and embezzlement.

### Striking facts/cases

Traditional tool of corruption in public procurement is to bribe public officials to influence their decisions. Such bribery does not only include the money, but every kind of action that provides unfair advantage to public officials. Private sector institutions can also bribe each other to prevent other from participating in bids and/or to shape the offers. Moreover, conflict of interest can make troubles in the fight against corruption.

## Conceptual framework

To understand corruption in public procurement, it is important to grasp the process of the procurement. Public procurements generally follow same procedures, including three steps: Pre- tender phase, tender phase, after-tender phase.

*Pre-tender phase:* In this phase, the needs of public institutions are retained, the methods of purchasing are determined, and tender documents are prepared. In this process, public officials are determining what exactly to purchase and how to purchase, and contribute to the contracts to be prepared and to be written.

*Tender phase:* In this phase, announcements are made and the owner of the winning offer is determined. The winning offer is determined through the evaluation of the commodities, services and the construction works. In the tender phase, these methods of purchasing can be applied: Open tender, tender to predetermined bidders, and negotiated tendering. Among them, open tender is the most competitive option. In the other methods of tender, competitiveness level decreases respectively.

*After-tender phase:* This phase includes execution of the contracts to guarantee efficient performance. In this phase, payment schedules are determined, the acceptance of work is made, and the conditions of the contracts can be changed. For this reason, the owner of the winning offer and the public officials are frequently engaged..



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