



TAIEX Expert Mission on European experience in control over procurement
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Experience of Italy in developing and applying risk-oriented approach for procurement control

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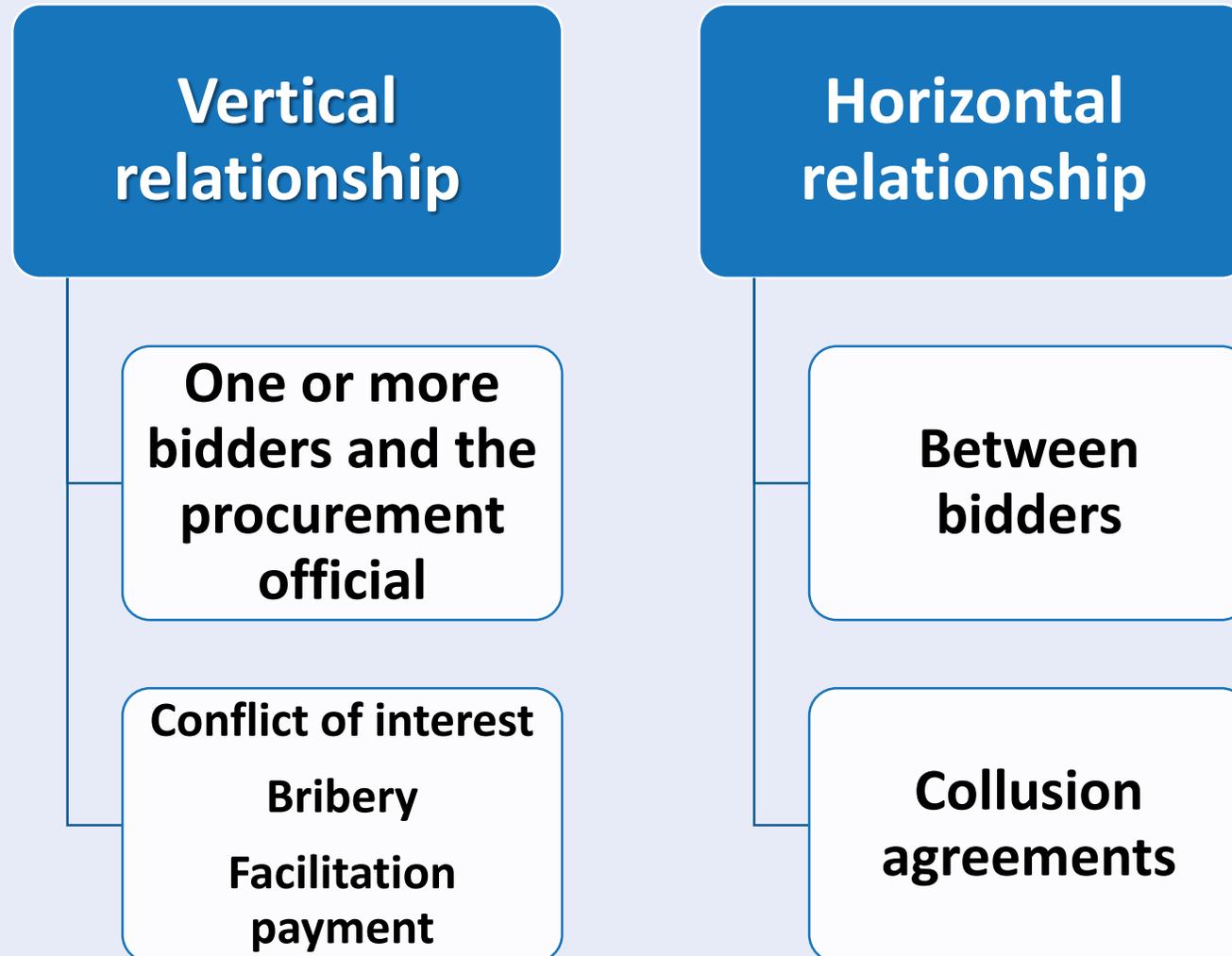
Public procurement

**Process by which governments,
regional and local public
authorities purchase products,
services and public works**

Corruption

- **Abuse of power for private
gain**

Vertical and Horizontal Corruption





Risk Indicators

Corruption in public procurement occurs within an opportunity structure

Opportunities for corruption can emerge in all stages of the procurement process

Identifying corruption opportunities is key to estimating the overall risk of corruption at a procurement level



- Literature on corruption and procurement focuses on the risk indicators or red flags that point to corruption



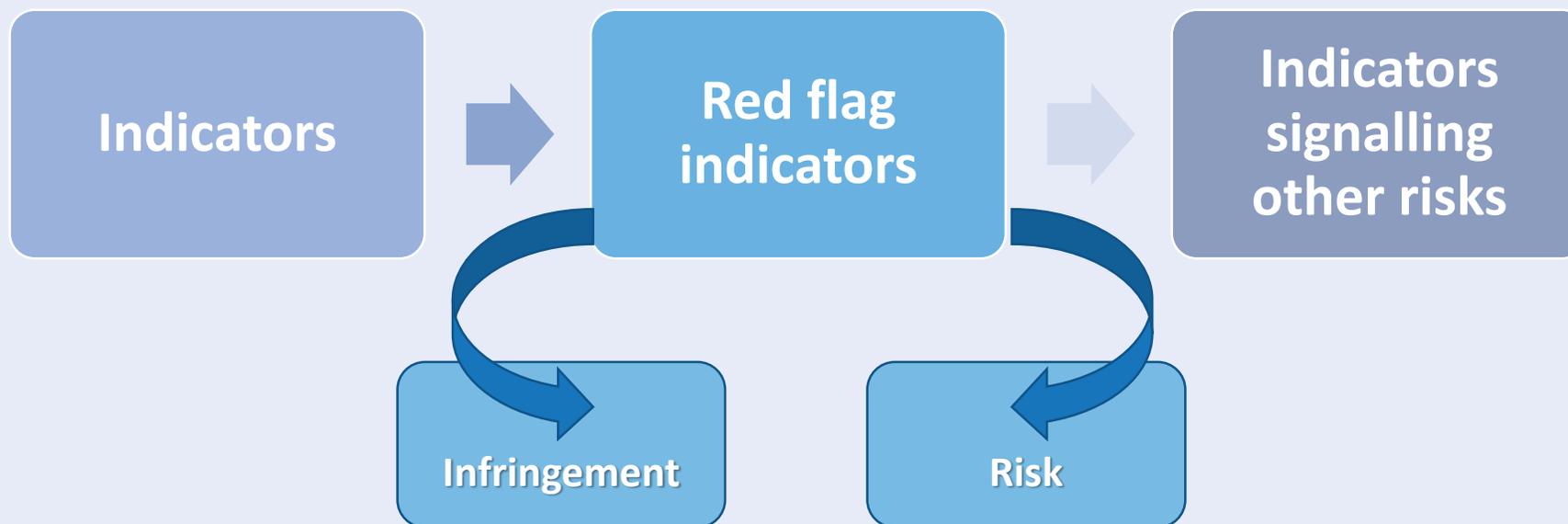
- Not all red flags or indicators are proof of corruption



- Red flags indicate a *chance* of corruption

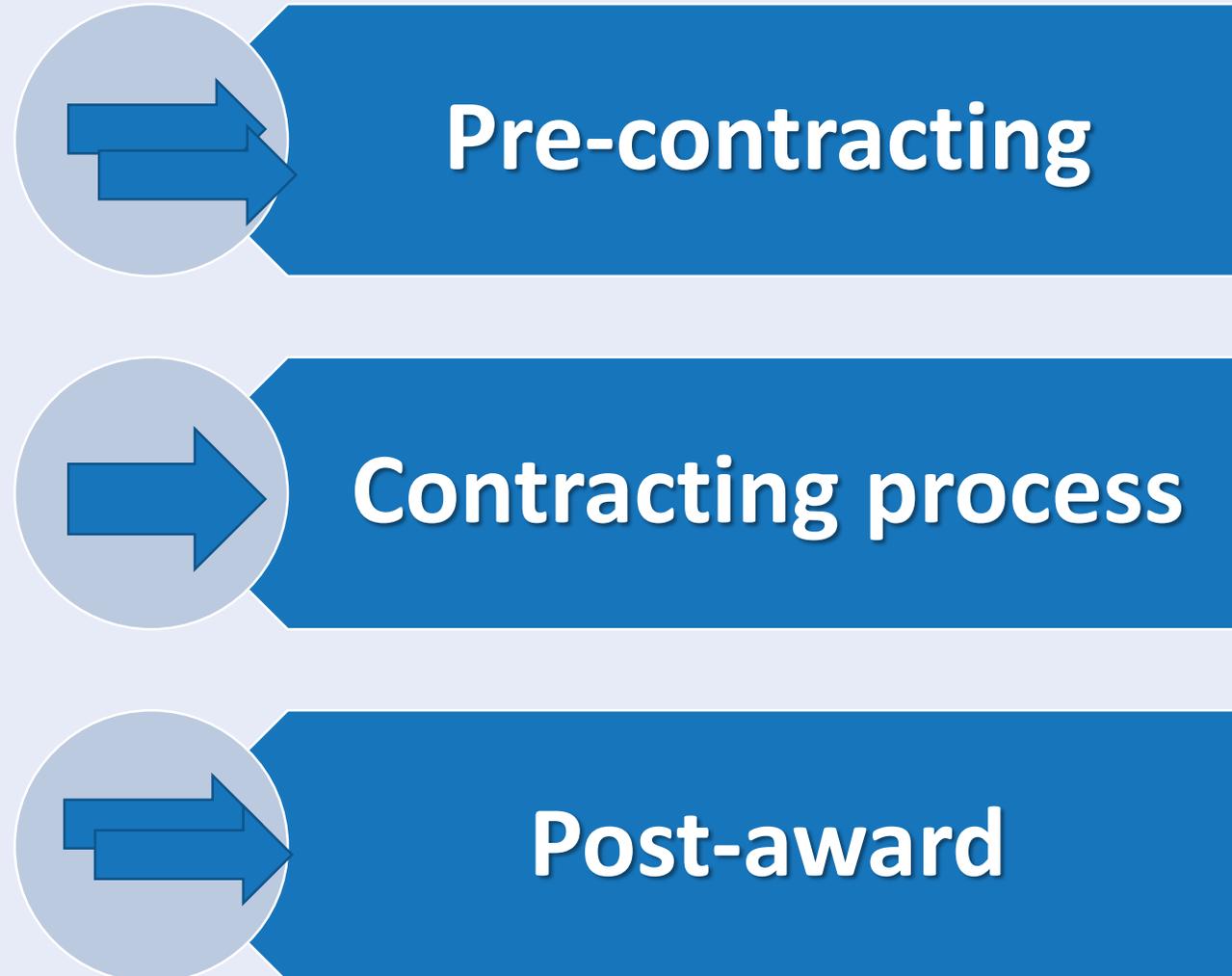


Grouping of indicators



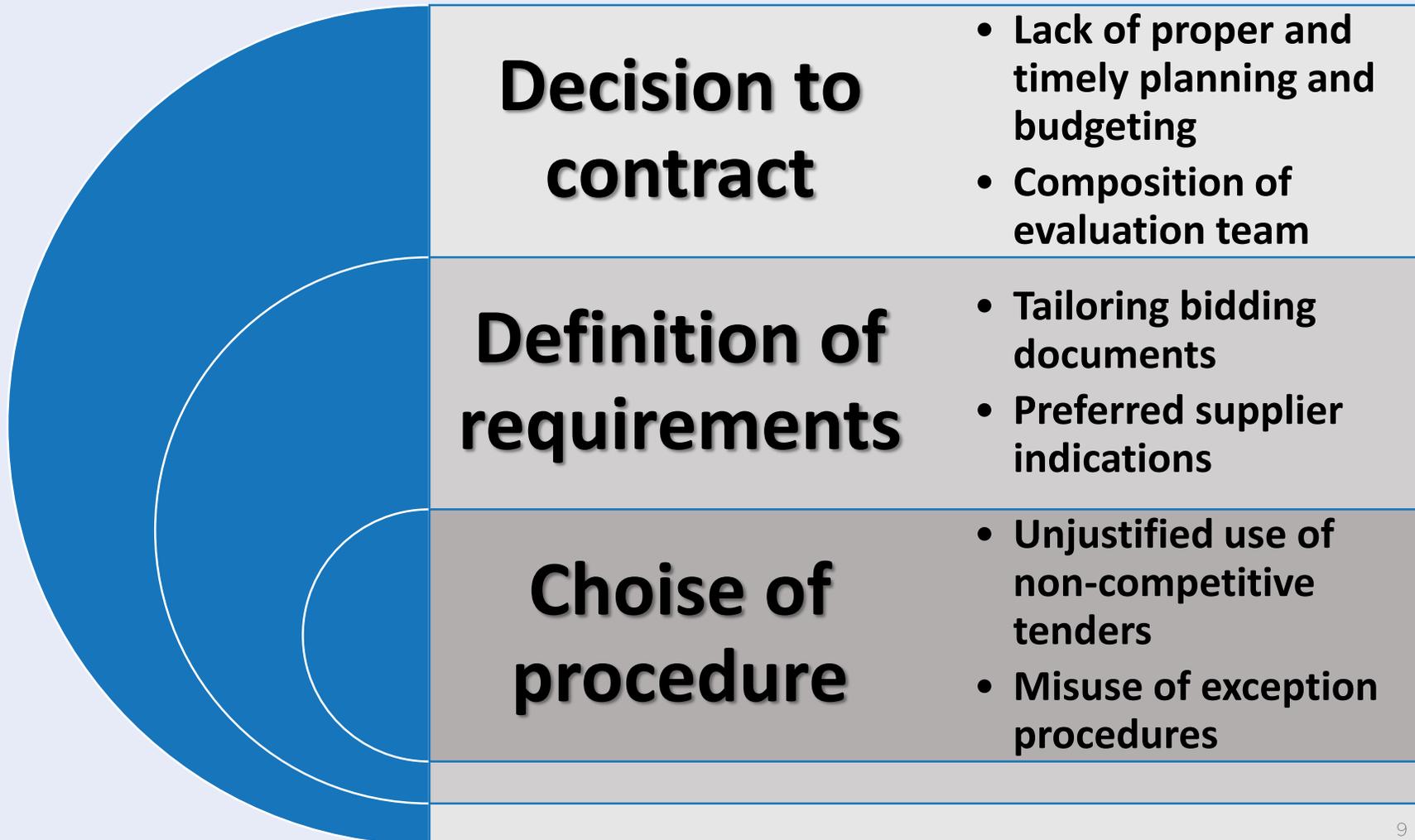


PROCUREMENT PROCESS





Pre-contracting Red Flags





Contracting process Red Flags

Invitation to tender

- Invitation to bid is advertised on a restricted basis
- Shortened time span for bidding process

Evaluation of bids

- Few offers received
- Strong similarities between bids
- Inaccurate assessment of bidders' qualification

Award

- Weighting factors altered during examination of offers
- Criteria used to select bidders altered
- Failure to verify certificates submitted



Post-award Red Flags

Contract management

- Substantial changes to allow more time and/or higher prices
- Product substitution or sub-standard work or service
- Non-sanctioning of economic operator

Order payment

- Lack of controls of works, services or supplies
- Unauthorized advance payments
- Approval of false or inexistent claims



Description and analysis of some indicators

Contracting authority has been convicted by final judgement, or has bad reputation

The use of accelerated procedure

**High estimated value
(contract of outstanding value)**

Successful procedure without contracting

**Contract can be renewed
(several times, or for a long time)**

Duration of evaluation (long)



Reference price

Price overspending

Red flag





What is a reference price?

- ✓ A sort of “fair” value in the context of public purchases
- ✓ An efficient price calculated through a survey
- ✓ Regulatory effect depends on sectors (ex. Health)



Why ANAC is responsible of this calculation?



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Prevention of corruption in public administration and in public procurement



*“ANAC [...] in order to promote the economic efficiency of public contracts and the transparency of purchasing conditions, [...] provides to prepare **reference prices** for goods and services [...] under the most efficient conditions, among those with the greatest impact in terms of cost to the public administration”.*



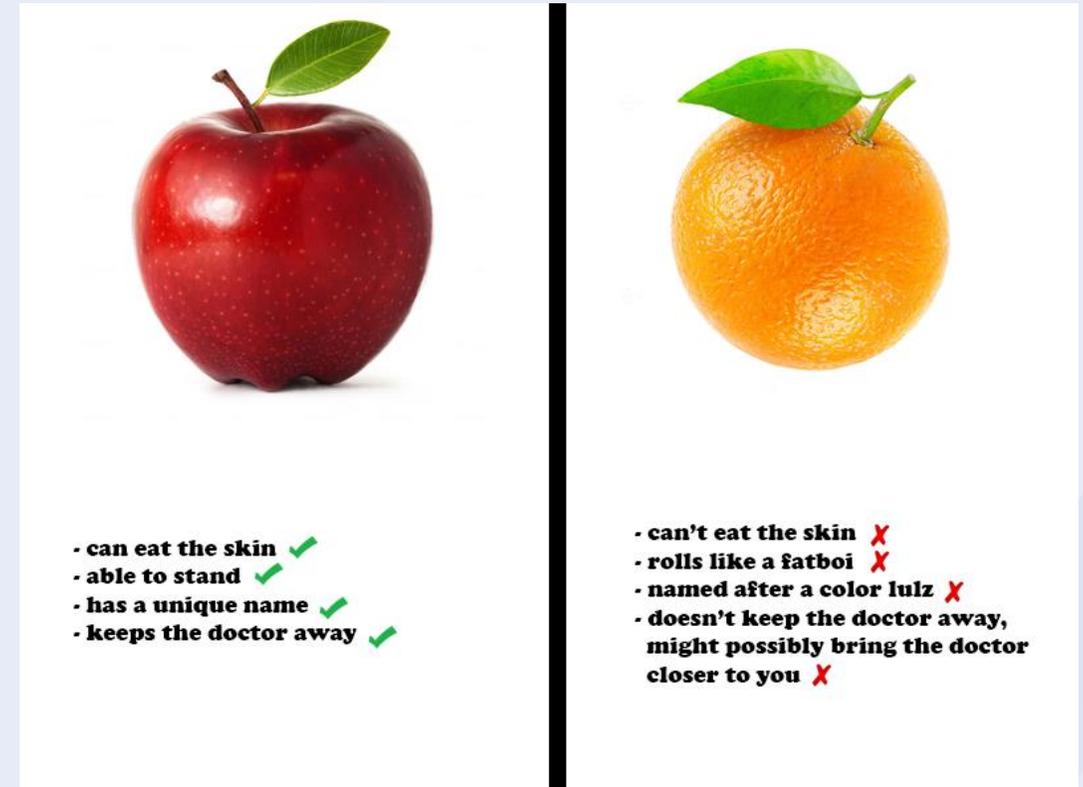
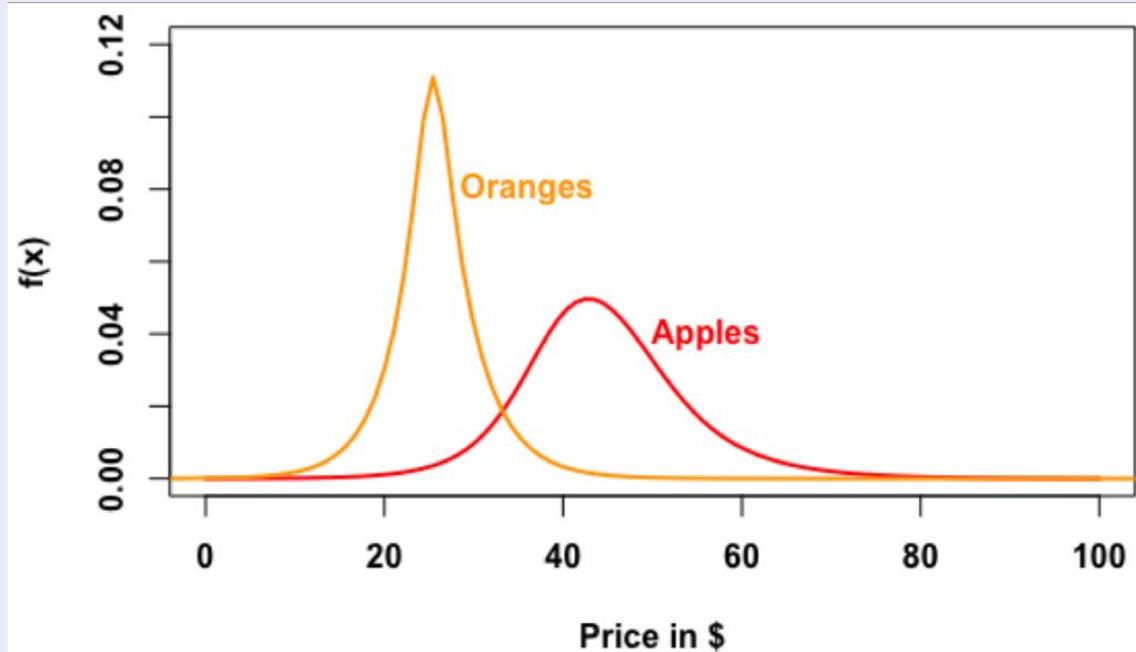
How do we calculate reference prices?

- ✓ Survey
- ✓ Data Collection
- ✓ Statistical Analysis
- ✓ Reference Prices
- ✓ Regulation



Reference price: on goods with a certain degree of **homogeneity**

- It is necessary to identify **comparable** goods/services
- The comparison of prices of completely different goods would lead to completely **misleading** results



Reference Prices - Standardization



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Standardization:

The process of "construction" of goods / services **comparable** to each other



Ex-ante Standardization → **before** data collection

Ex-post Standardization → **after** data collection
using regression based methods

Reference Prices - Standardization



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Example: cleaning services in the health sector

Ex-post Standardization



In conclusion, reference prices:



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- Can be considered a “**smart**” spending review tool
- Directly **reduce** the economic over-income (incentive for corruption)
- summarize a multitude of **information**, promoting transparency and accountability of public administration purchases
- Allow for the construction of **overspending indicators**, which, together with other indicators, are capable of signalling potential anomalies (especially in cases where **different indicators** converge in the same direction)

