

Managing risks in public procurement

Public procurement is a high-risk sector. The *OECD Foreign Bribery Report* found that almost two-thirds of cases of bribes paid in international transactions involved public procurement. Governments are emphasising public integrity as a strategic and sustainable response to corruption. Safeguarding the public interest is the fundamental mission of governments and public institutions. They must ensure that public officials do not allow their private interests and affiliations to compromise their official duties. In addition to the risks of integrity breaches, many other risks are present across the public procurement cycle, including, among others: risks of waste or inefficiency in all aspects of the procurement process, from planning to tendering; contract execution and payment; risks related to failures in the information technology (IT) infrastructure, including e-procurement systems and related databases/e-registries; financial risks, and reputational risks/potential damage to the image of the contracting authority.

Risk management encompasses several steps in assessing risks (including an assessment of the nature, causes and potential consequences of risks) and mitigating them. While only 52% of OECD countries indicated that they have developed a strategy for the assessment, prevention and mitigations of public procurement risks, there may also be government-wide risk and control policies that apply. Public procurement risks need to be actively managed from an early stage, particularly in cases of procurement for large and complex projects, such as in the case of public infrastructure. Public procurement laws and regulations are at least partially applicable to the procurement of public infrastructure in all OECD countries, with 61% of countries applying it to all infrastructure projects. Building on the application of public procurement principles and frameworks, tailored tools can help identify and mitigate risks that are often associated with procurement of major infrastructure projects, like risks of inefficiency, lack of quality, cost overrun and corruption.

Countries are paying much attention to the development of integrity systems and tools to mitigate integrity risks. One major integrity risk in public procurement is conflict of interest. According to the most recent data, 90% of OECD countries have a definition of conflicts of interest for public procurement officials in their regulatory framework. However, the declaration of whether or not there are conflicts of interest is not universally applied in all OECD countries. Results from the OECD Survey on the Implementation of the 2015 OECD Recommendations on Public Procurement show that declarations by public officials as to whether or not they have a conflict of interest during a public procurement procedure were made in 81% of OECD countries. A vast majority of OECD countries also promote integrity in public procurement through the debarment of suppliers found guilty of bribery or other integrity breaches. Some countries, such as Canada, have

Codes of conduct consolidating relevant regulations and policies into a concise and transparent statement of the expectations the government has of its employees and its suppliers. In around one-third of OECD countries, suppliers commit to avoiding any kind of corruption when submitting an offer (“no corruption warranty” as part of bid documents).

Methodology and definitions

Data were collected through the 2018 OECD Survey on the Implementation of the 2015 OECD Recommendations on Public Procurement. Thirty-one OECD countries and one accession country (Costa Rica) responded to the survey. Respondents were country delegates responsible for procurement policies at the central government level and senior officials in central purchasing bodies.

A conflict of interest involves a conflict between the public duty and the private interest of a public official, in which the official's private-capacity interest could improperly influence the performance of their official duties and responsibilities.

Public infrastructure is defined as facilities, structures, networks, systems, plants, property, equipment or physical assets and the enterprises that employ them, that provide public goods or goods that meet a politically mandated, fundamental need that the market is not able to provide on its own.

Further reading

OECD (2018), *Third Progress Report on the Development of the New International Airport of Mexico: Achievements and Lessons Learned*, <http://www.oecd.org/centrodemexico/medios/Full%20report%20EN.pdf>.

OECD (2016), *Preventing Corruption in Public Procurement*, <http://www.oecd.org/gov/ethics/Corruption-Public-Procurement-Brochure.pdf>.

OECD (2015), *Recommendation of the Council on Public Procurement*, <https://legalinstruments.oecd.org/en/instruments/OECD-LEGAL-0411>.

Figure notes

Data for the Czech Republic, Luxembourg, Switzerland, the United Kingdom and the United States are not available. On data for Israel, see <http://doi.org/10.1787/888932315602>.

8.15. Data for Finland and the Netherlands are not available. Most respondents understood “public procurement risks” as the risk of fraud, corruption or other breaches of integrity.

8.13. Mechanisms to prevent and manage conflicts of interests among public procurement officials, 2018

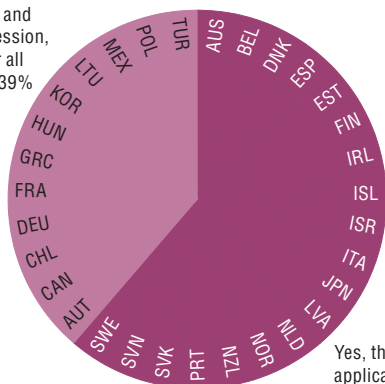
	Regulatory framework includes a definition of a conflict of interest for public procurement officials	Public procurement officials have to declare their private interests	Public procurement officials have to declare 'no conflict of interest' or notify the competent authority in case of potential conflict of interest	Certain public officials and political appointees have certain limitations in participating in public procurement opportunities.
Australia	●	●	●	○
Austria	●	○	○	○
Belgium	●	○	○	●
Canada	●	●	●	●
Chile	●	○	●	●
Denmark	●	○	●	○
Estonia	●	○	●	○
Finland	●	○	○	○
France	●	●	●	●
Germany	●	○	●	○
Greece	●	●	●	●
Hungary	●	●	●	●
Iceland	○	○	○	○
Ireland	●	●	●	●
Israel	●	○	●	○
Italy	●	●	●	●
Japan	○	○	○	○
Korea	●	●	●	●
Latvia	●	●	●	●
Lithuania	●	●	●	●
Mexico	●	●	○	○
Netherlands	●	●	●	●
New Zealand	●	●	●	○
Norway	●	○	●	○
Poland	○	●	●	●
Portugal	●	●	●	●
Slovak Republic	●	○	●	●
Slovenia	●	●	●	●
Spain	●	●	●	●
Sweden	●	●	●	○
Turkey	●	○	●	●
OECD Total				
Yes ●	28	18	25	18
No ○	3	13	6	13
Costa Rica	●	●	●	●

Source: OECD (2018), Survey on the Implementation of the 2015 OECD Recommendations on Public Procurement.

StatLink  <https://doi.org/10.1787/888934032966>

8.14. Application of public procurement law and regulations to infrastructure projects, 2018

Yes, they are partially applicable. Specific law and regulations (PPP, concession, etc...) exist for some or all infrastructure projects 39%



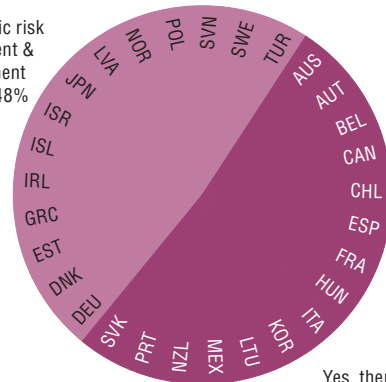
Yes, they are applicable to all infrastructure projects 61%

Source: OECD (2018), Survey on the Implementation of the 2015 OECD Recommendations on Public Procurement.

StatLink  <https://doi.org/10.1787/888934032985>

8.15. Existence of a strategy for assessment, prevention and mitigation of public procurement risks, 2018

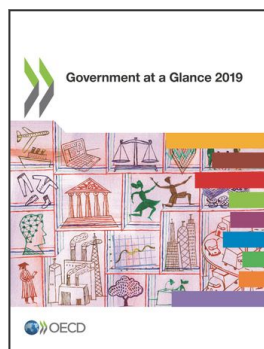
No specific risk assessment & management strategy 48%



Yes, there is (are) risk assessment & management strategy(ies) 52%

Source: OECD (2018), Survey on the Implementation of the 2015 OECD Recommendations on Public Procurement.

StatLink  <https://doi.org/10.1787/888934033004>



From:
Government at a Glance 2019

Access the complete publication at:

<https://doi.org/10.1787/8ccf5c38-en>

Please cite this chapter as:

OECD (2019), “Managing risks in public procurement”, in *Government at a Glance 2019*, OECD Publishing, Paris.

DOI: <https://doi.org/10.1787/8f1daa80-en>

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