

PUBLIC PROCUREMENT CORRUPTION

A 1300 BILLION MARKET

The value of 8 500 public procurements constituted 4,7 % of the 28 000 billion Hungarian GDP in 2012. In lack of effective control mechanisms, the risk of corruption is high.

PROCUREMENTS' PRICE CAN RISE BY AS MUCH AS 25%

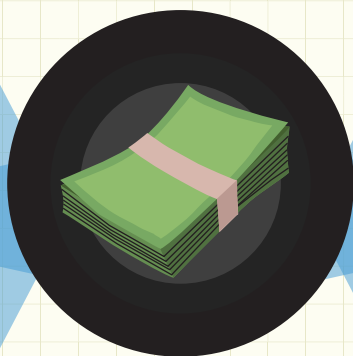
According to professionals, systemic corruption can raise the total cost of procurement procedures even by a quarter, compared to the real price levels.

70% OF PUBLIC PROCUREMENTS IS INFECTED BY CORRUPTION

According to estimations, 7 out of 10 public procurement procedures in Hungary is permeated by corruption, but usually this is impossible to prove.

AT ALL LEVELS

The stages of preparation, evaluation and implementation are all tainted, and public procurement corruption is also intertwined with party- and campaign financing.



BASIC TECHNIQUES

GALLANT STEP BACK



The bidder steps back as a result of pressure or some kind of advantage, which results in the more expensive other tender winning the tender.

WINNERS TAKE TURNS



A few competitors enter simultaneously more procurement procedures, all of them making a relatively high bid, and – cutting out the competition – they agree in advance who will win when.

FALSE OFFER



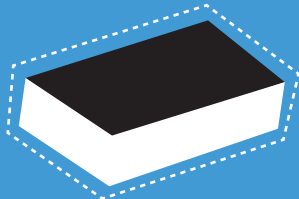
The bidder offers a price which is considerably higher than the market price; either because he knows that he will be the only bidder or because of other reasons that impede anyone else from winning the bid.

PROFITABLE STANDOFF



A company, which otherwise would stand a chance, does not even join the competition, thereby making the "chosen one" win. In return, at a later point, they can also expect similar advantages.

TAILOR-MADE TENDER



The contracting party formulates the notice straight in a way that only a predetermined bidder can suit the requirements.

WIMPY PROCEDURE



Public procurement notice has to be launched for a given service, but the contracting party circumvents the law by agreeing with a firm to supply, in exchange of some favors.

TRANSPARENCY'S TIP TO CURB PUBLIC PROCUREMENT CORRUPTION: THE INTEGRITY PACT

The tool designed by TI is used voluntarily by the contracting authority and enables civil monitoring of the procurement procedures, thereby cleaning the public procurement market.



At each tender the contracting authority and the bidder sign a contract to state that they will refrain from corruption and publish all the information whose disclosure is not prohibited by law.



The contract also stipulates that the procedures should be monitored by an independent professional or an NGO, who regularly informs the public.



Monitoring covers the total project period, from the preparation of the tender documentation to the last phase of the implementation.



The Integrity Pact reduces the price of procurements, increases trust in public institutions and facilitates competition in the business sector.