

OPENING UP PUBLIC PROCUREMENT

Every year governments spend trillions of dollars on public procurement and contracting, buying everything from pencils and paper to funding major infrastructure projects such as airports, roads and hospitals. Public procurement is the means by which governments work with the private sector to deliver essential services and infrastructure to the public.

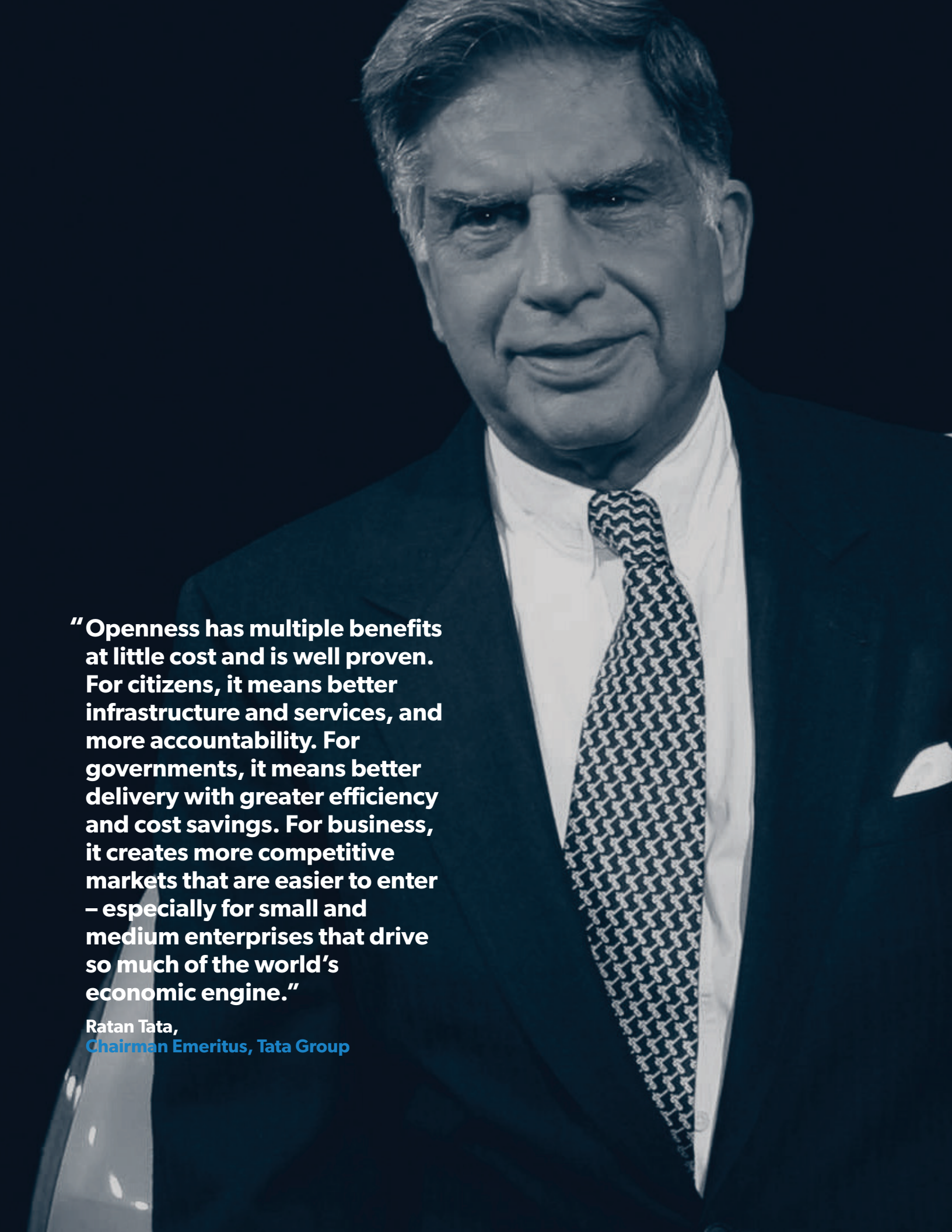
The immense scale and significance of public procurement in government spending can result in grand corruption.¹ Global losses from procurement corruption range between 10-25%² in some sectors, such as healthcare. Inefficiency, mismanagement and a lack of adequate controls on public contracting deny citizens access to adequate services and infrastructure, and undermines fair competition and the ability of high performing and ethical companies to secure contracts. This is a global problem that affects business in many markets: according to a 2013 Eurobarometer survey, more than 30% of companies participating in EU public procurement say corruption prevented them from winning a contract.³

The reality of current public procurement across the globe is that governments often don't know what they are buying, from whom and whether they're getting a good price. Opacity and corruption denies commercial opportunities from companies providing critical technology, engineering and construction expertise, healthcare and other services, and significantly increases the costs of market entry and business development.

1. Grand corruption occurs when a public official or other person deprives a particular social group or substantial part of the population of a State of a fundamental right; or causes the State or any of its people a loss greater than 100 times the annual minimum subsistence income of its people; as a result of bribery, embezzlement or other corruption offence. Transparency International - http://www.transparency.org/news/feature/what_is_grand_corruption_and_how_can_we_stop_it

2. Transparency International's Global Corruption Report, 2006 Healthcare & Procurement sector - <http://www.transparency.org.uk/our-work/pharmaceuticals-healthcare-programme/>

3. European Commission 'Businesses' Attitudes Towards Corruption in the EU' published February 2014, accessed at http://ec.europa.eu/public_opinion/flash/fl_374_en.pdf



“Openness has multiple benefits at little cost and is well proven. For citizens, it means better infrastructure and services, and more accountability. For governments, it means better delivery with greater efficiency and cost savings. For business, it creates more competitive markets that are easier to enter – especially for small and medium enterprises that drive so much of the world’s economic engine.”

Ratan Tata,
Chairman Emeritus, Tata Group

WHAT IS OPEN CONTRACTING?

Open contracting is a bold solution - an aspirational global initiative to create a transparent and open public procurement process which fulfills the concrete needs of its users - governments, business and citizens. Its impacts are fair provision of high quality services and infrastructure to citizens, a level playing field for the private sector competing for public contracts, and savings and efficiency for government.

Freely accessible, open and public data is the foundation of open contracting. Open contracting goes beyond e-procurement and online systems for processing and marketing tenders, to open up the whole contracting cycle - from planning to tendering, to performance to contract closure. Open contracting enables smarter and more collaborative engagement and feedback loops between business, governments and civil society to increase the accountability and performance of governments. This process ensures public contracts are won based on a business' ability to deliver the right solutions to meet public needs rather than through bribes or favours.

MYTHBUSTING: WHAT OPEN CONTRACTING IS NOT

Open contracting is not:

- An e-procurement system (i.e. an electronic system for publishing and marketing tenders online). Open contracting can improve e-procurement by structuring, linking and publishing documents and data related to the planning, procurement and implementation of public contracting.
- The end of legitimate commercial sensitivity. There will always be a balance between the need to redact commercially sensitive or private information and the open-by-default approach.
- Replicating freedom of information laws. Open contracting is a proactive approach to disclosure that levels the playing field, ensuring that information is available to everyone, not reactively and privately exchanged between individuals making FOI requests.
- Putting civil society in charge of government contract negotiations. Open contracting enables better data, analysis and scrutiny of outcomes and better competition. It is not about trying to interfere with legitimate contracting processes.

CASE STUDY:

Ukraine's public procurement system was once notorious for corruption and inefficiency. Since launching ProZorro, the country's open source, open data e-procurement system (based on the Open Contracting Data Standard) the government has saved 14% on its planned spending (more than 300 million Euros) and seen a 50% increase in companies bidding for contracts - helping build business and citizen trust in the government process.⁴ The number of companies using the system to bid on public

tenders has tripled since the new procurement law came into effect and companies are more confident doing business with the government due to ease of use and increasing trust in the integrity and transparency of the procurement process. A USAID survey among entrepreneurs in 2016 found that the majority of respondents believed ProZorro reduces corruption partially (53%) or significantly (25%).⁵

4. See - <http://www.open-contracting.org/news/open-contracting-success-story-open-government/>

5. USAID Technical Assistance for E-Tender Initiative (Phase ii), Survey of Entrepreneurs on their Experience in Procurement in ProZorro, July 2016 http://www.msiworldwide.com/wp-content/uploads/Ukraine-Corruption_MSI-eTender-D3-Survey-Report-En-FINAL-1.pdf

WHAT'S IN IT FOR BUSINESS?

Fairer competition - open contracting creates more competitive markets by increasing the accessibility of tenders and rewarding expertise, ideas and capacity to deliver - not bribes and favours.

More opportunity - making tenders more accessible helps to increase the number of companies competing for contracts, encouraging existing government contractors to consider new opportunities and markets, and encouraging SME and aspiring government contractors to participate.

Greater competitive intelligence - with access to information about past contracts awarded, and enhanced awareness of future opportunities, businesses can achieve reduced barriers to entry, improving their ability to compete successfully.

Efficient processes saving business time and money - growing evidence shows that transparent public procurement processes are saving business money and significantly reducing time to process and apply for bids.

Increased innovation - greater competition and new entrants participating in public procurement encourages innovation and provides a platform for business to demonstrate the best solutions for solving and delivering public services.

Increased trust and integrity - transparent and open public procurement systems increases the integrity of the public procurement process and encourages business to confidently engage in markets that they otherwise might avoid.

CASE STUDY:

Global wholesaler Metro Cash & Carry once turned down business opportunities with the Ukraine's public sector due to a lack of transparency and high levels of corruption in the procurement system.

Since implementing ProZorro, Ukraine became a major new market for Metro Case & Carry which has recently set up a new department to enable participation in ProZorro tenders. The company is now successfully winning tenders to supply food to public institutions (including the defence ministry, hospitals, kindergartens and nursing homes).

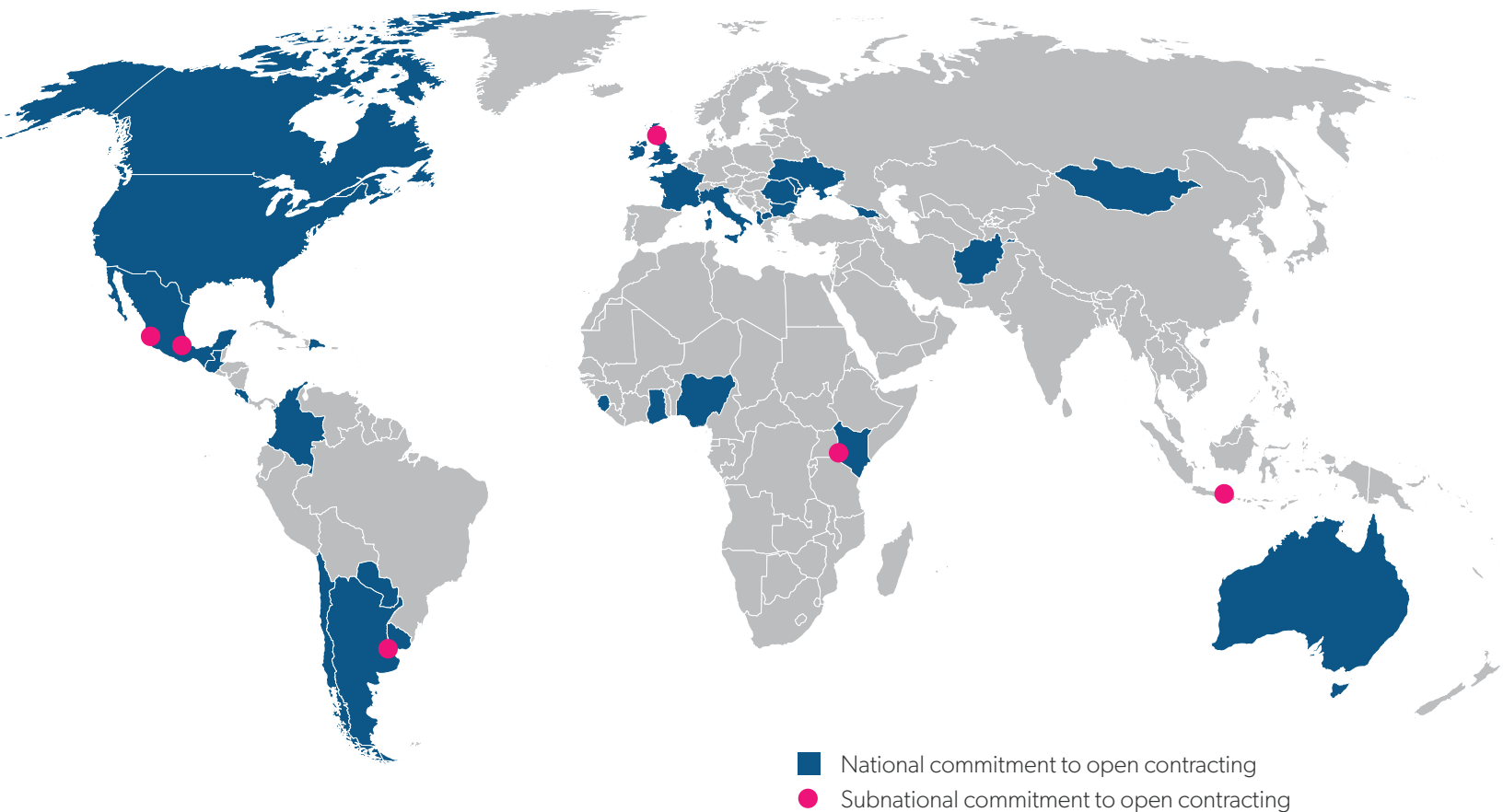
Join us to learn more about this new approach to public procurement and help unlock the business benefits of transparency. Sign up to be involved at <http://bit.ly/OCRoundtables17> or contact opencontracting@bteam.org

WHERE IS IT TAKING OFF?

More than 25 countries and cities have made commitments to establishing open contracting and using the Open Contracting Data Standard (a technical schema that provides for structured, machine-readable information on documents and data at all stages of the public procurement process). Canada, Colombia, Mexico, Moldova, Paraguay, the UK, Ukraine and the cities of Mexico City and Montreal are publishing public contracting information using the Open Contracting Data Standard. Implementation is underway across the world from Nepal to Nigeria.⁶

6. Read more about progress on open contracting worldwide at <http://www.open-contracting.org/why-open-contracting/worldwide/>

GLOBAL COMMITMENTS TO OPEN CONTRACTING



WORKING TOGETHER

Principles of transparency, engagement and collaboration are building blocks for more fair, competitive and effective public procurement outcomes but cannot be achieved by governments overnight. The success of reforming public procurement depends on participation and sustained collaboration between government, civil society and business as well as a commitment to learning. Countries

such as Ukraine, Mexico and the UK who have adopted open contracting are demonstrating that learning through showcase projects is a fundamental first aspect of implementation to ensure long term success and scalability. The input and collaboration of the private sector in these processes is critical to learning what works and shaping the future of open contracting.

ABOUT THE B TEAM:

The B Team is a not-for-profit initiative formed by a global group of business leaders to catalyse a better way of doing business, for the wellbeing of people and the planet.

The team includes:

Richard Branson, Jochen Zeitz, Oliver Bäte, Marc Benioff, Gro Harlem Brundtland, Sharan Burrow, Kathy Calvin, Bob Collymore, David Crane, Arianna Huffington, Mo Ibrahim, Yolanda Kakabadse, Guilherme Leal, Andrew Liveris, Strive Masiyiwa, Arif Naqvi, Ngozi Okonjo-Iweala, François-Henri Pinault, Paul Polman, Mary Robinson, Ratan Tata, Zhang Yue, and Muhammad Yunus.

GET INVOLVED

The B Team together with Open Contracting Partnership are hosting a series of webinars and roundtables with the private sector across a range of different locations in 2017.

We'll discuss how and where open contracting is being implemented in new markets and what it means for your business. We'll explore how the private sector can play a key role in shaping the new field of open contracting through its adoption and implementation around the world.

We're keen to learn from your experience with different public procurement systems and contexts and to understand the costs and benefits of current systems compared to open contracting approaches from your perspective.

Join us to learn more about this new approach to public procurement and help unlock the business benefits of transparency. Sign up to be involved at <http://bit.ly/OCRoundtables17> or contact opencontracting@bteam.org

FOR MORE INFORMATION

VISIT www.bteam.org

CONTACT media@bteam.org

FOLLOW US [@thebteamhq](https://twitter.com/thebteamhq)



Open
Contracting
Partnership

THE B TEAM