

THE IDIOT'S GUIDE TO

LOOTING PUBLIC PROCUREMENT TO GET \$\$\$\$\$\$\$\$ RICH QUICK



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If you're one of the many honest government workers around the world looking to do the right thing, look away now — this guide isn't for you! But if you're one of the few wannabe crooks looking to make a quick buck off the public purse, then please read on — we've got lots of tips for you on how to cheat the system. Being in charge of public contracts is a position of power and influence that you can use to get fabulously rich.

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EVERYONE IS AT IT

Around 60% of foreign bribes paid worldwide go on public contracting.¹ Most governments don't know what they are buying, for how much, from whom. You are sitting on a honey pot! You can get away with this anywhere in the world. 60% of European price-fixing cartels are in western Europe² where people don't even think there is a problem. Suckerrrs!



READ THIS GUIDE FOR TIPS ON HOW TO:

- Issue tenders for things that aren't needed
- Fix the process so that 'your' company wins
- Minimise bids from companies you don't want to win
- Get companies to form a price-fixing cartel
- Cheat by deciding who wins
- Double your money or more as the contract gets implemented by hiking prices or changing the scope of work

Don't forget to kick back some of your ill-gotten gains to us via our offshore shell company when you strike it rich. The Idiot's Guide to Anonymous Companies from our friends at Global Witness will tell you how.

TIP 1

FIX THE TENDER



Why not give your favoured company a juicy contract?

This tip is nice and easy. It's kind-of obvious, though that doesn't stop a lot of people doing it. For example, in Hungary, 50-60% of public contracts are given out to companies that don't have any prior success and have submitted tenders that make them look like a high corruption risk.³

By fixing the tender you can rig the whole competition fairly easily and make it look like everything is fair when it isn't!

If you get to decide what to buy so why not adjust the description of what you need so that it better suits the company you want to win? Or, how about using really obscure language so that no-one else knows what you're on about and can't compete? Any old rubbish will do: a tender in Ukraine for mops was titled 'a device with a nozzle and a holder' and the hospital ended up paying \$100 each for them!⁴

Are you just issuing tenders for the things that schools and hospitals actually need? That's a *rookie error*. Start putting out tenders for things that your preferred company wants to sell, even if there's no-one out there who really needs those things.

TIP 2

FIX THE PROCESS SO THAT 'YOUR' COMPANY WINS!

Once you've issued a tender, don't just cross your fingers and hope your favoured company will win. There's lots you can do to give them a helping hand:

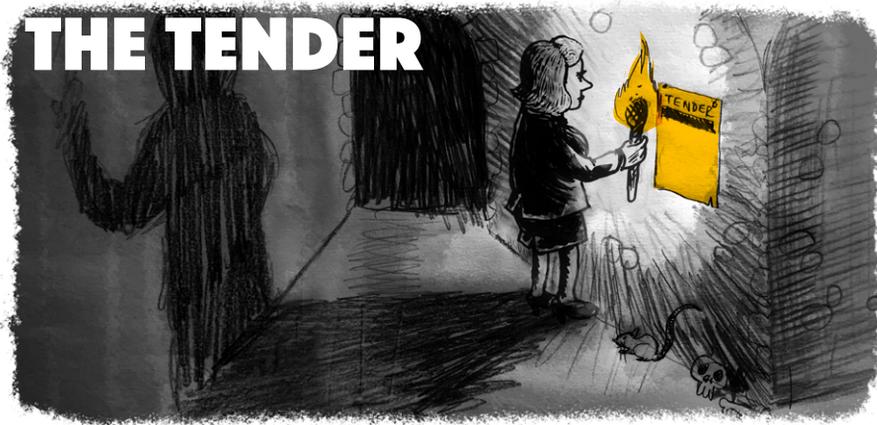
- Fix the decision-making criteria. Even the UK's Nuclear Decommissioning Authority seems to have been up to this – the UK High Court found that they fudged an evaluation for a \$9 billion tender.⁵ You might even be able to go as far as allowing totally unqualified, brand new companies to win the tender: in Azerbaijan a company that had only just been incorporated and with no track record got a license for five gold fields estimated to be worth more than \$2.5 billion.⁶ Some 22% of European businesses think that public tenders are often tailored to fit the needs of one company,⁷ so your actions won't seem that strange.
- Secretly own or benefit from one of the companies bidding for the contract yourself. For example, the ex-head of Chicago Public Schools funnelled contracts to an ex-employer who she was still secretly working for.⁸ Nigeria's ex-oil minister, Dan Etete, handed out a contract for an offshore oil block to a company that turned out to be his.⁹ Genius!
- Give everyone except the company you want to win an impossibly short time to submit their tenders. In the UK, Transport for London gave companies just eight working days to submit bids for the Thames Garden Bridge project, even though one company had already been working on the project for five months.¹⁰
- Issue the tender at an inconvenient time. The week before Christmas can be good and not just because it helps use up any budget you've got left over. Half of the contracts that Slovenia announced then only received one bid.¹¹

You might be thinking: Where does it stop? It doesn't! Everyone's at it, from construction contracts in Spain¹² to IT contracts in Romania.¹³ Nearly a third of European companies feel that they have missed out on winning a public contract because of corruption. That's not just in the newer member states. Even in supposedly squeaky-clean Sweden 26% of companies grumble that they lost a tender because of corruption.¹⁴

Beware of countries that have committed to open contracting though – in Paraguay, for example, there is an open contracting portal that allows anyone to see how the government is spending public money through contracts. There's no doubt still opportunities for corruption there, but the transparent contracting sure makes it harder.

TIP 3

MAKE SURE VERY FEW COMPANIES BID ON THE TENDER



You don't want your favoured company to face any competition. Why not:

- Hide the advert for the tender (or just don't issue one at all if you can get away with that). Take a leaf out of Slovakia's books: in 2007, they issued a \$139 million tender (including EU funds) and just posted it on a bulletin board in a corridor inside a closed-off ministry building!¹⁵
- Make people pay a fortune to access all the documents they need to put a tender together so that hardly anyone bids. For example, if there aren't any laws saying how big a bid security deposit you can ask for, then make this figure huge and you'll deter lots of bidders. Alternatively, make people actually come to your office to pick up paper copies of the documents they need in person rather than putting them online for anyone to see.
- Make your IT system a pain to use so that the documents needed to put together a tender are incredibly hard to access.
- Introduce some deliberate errors into the tender documents so that they confuse bidders and put them off applying.
- And ignore any questions you get from bidders. Authorities that do this get fewer companies bidding next time round. And if you help one company, definitely don't share that information with the others.

Again, as we've said before, watch out for countries that have committed to carry out contracting openly. Ukraine's starting doing this, and now three-quarters of entrepreneurs think that the opportunities for paying bribes for government contracts have gone down.¹⁶

TIP 4

FORM SOME CARTELS



Not getting rich as quickly as you hoped? Take things up a level by helping fix the market so your contract goes for a nice, high price every time.

- Get some of the companies that are bidding for your contract in cahoots with each other, so they can all submit bids with inflated prices. For example, in the UK, more than 100 construction companies were found to have colluded with each other to drive up the price of building schools, hospitals and universities.¹⁷
- Create an illusion of competition by having several companies that are all secretly controlled by the same person put in bids. For example, the only two companies that bid to provide Ukraine with an oil drilling rig turned out to be owned and controlled by the same network of Latvian nominees.¹⁸

As before, be careful of places that have committed to open contracting – Bogota in Colombia looked at what's going on with fruit and vegetable contracts for school meals and spoilt a \$15 million price-fixing wheeze.¹⁹ Twelve suppliers turned into 55 making it much harder to fix prices.

TIP 5

CHEAT ON DECIDING WHO WINS



Your favoured company doesn't look like it's going to win? Don't sweat it. There are ways around this. You could:

- Fix the scoring system so that it's biased towards helping your favoured company win.
- Find some spurious reasons to reject the bids of companies you don't want to win. Typos can be a good excuse.
- Annul the tender and try again later when no-one is looking (see tips 1 and 3).

TIP 6

DOUBLE THE PRICE AND DO HALF THE WORK



The game's not over once the contract has been awarded – it's just begun! **This is where the real money can be made. Double your money or more by:**

- Modifying the contract after it's been awarded so that it's even more favourable to 'your' company. Double the price or even triple it!
- Abusing an add-on contract to send some extra money to your preferred company.
- Letting your preferred company get away with not doing everything they were meant to do. Be careful not to go so far with this that people actually die. You don't want unwanted attention. In China, schools that should have been earthquake-proof have collapsed on children.²⁰ And in Romania, hospital patients have died because the disinfectant was watered-down.²¹

Again, like before, make sure you watch out for pesky countries that make contract information available for anyone to see. For example, in Paraguay, they don't just publish contracts but also any contract amendments.



BUT SERIOUSLY, IT SHOULDN'T BE LIKE THIS...

Procurement is the single greatest corruption risk in the public sector according to the Organisation for Economic Co-operation and Development, European Commission, United Nations Office on Drugs and Crime and the World Economic Forum.²² And government procurement is huge – it accounts for one in three of every dollar spent by governments in OECD countries.²³ Research commissioned by the European Parliament found that corruption and fraud in contracting may mean EU countries' economies lose nearly €1 trillion every year.²⁴

The money misspent or looted via public procurement deprives citizens of crucial services and infrastructure. And it's not like putting a stop to corruption in public procurement is an impossible task. There's already a clear solution emerging that has been shown to help countries save money, create a fair and level-playing field for business and increase public integrity: open contracting. Of course, making information transparent as open contracting does can't keep all crooks from abusing the system, but it can definitely make their life harder and easier for the people tasked with catching them.

Here's what the Open Contracting Partnership calls on countries to do:

1. Make contracting information open-by-design. Any confidentiality clauses should allow only limited public interest exemptions from disclosure. Those redactions should be evidence-based and publicly explained.

2. Publish machine-readable, reusable open data on public procurement including unique identifiers. The [Open Contracting Data Standard](#) provides a scheme to do just that.

3. Develop tools to analyse and use the information for better and smarter services. Use red flag analysis to spot signs of corruption and fraud, and regularly publish and monitor performance metrics on public services.

4. Embed business and civic engagement feedback into the whole public contracting process to create fairer markets, and build trust between actors. This includes inclusive planning of tenders, establishing fair and independent complaints mechanisms, and supporting civil society procurement monitoring.

5. Champion open contracting. This one isn't just for the governments. Whether you are a government, business or civil society representative, advocate for open contracting in the countries where you work and ask for global support from the G20, the OECD, multilateral development banks and international policymakers.

These reforms have had a real impact. Since launching their open source, open data e-procurement system, Ukrainian taxpayers have saved more than a billion dollars on their government's planned spending. [Thousands of new suppliers are doing business with the government and most government contracts now go to SMEs.](#) 78% of entrepreneurs believe the new system reduces corruption.

By adopting Open Contracting principles, the [City of Bogota](#) was able to bust a price fixing scandal in the district's school program. The US\$170 million that was previously shared between 12 companies is now spent among 55 specialized producers. Some 14 of those had never participated in a bid process before.

It doesn't stop there. We are already working with over 30 countries on open contracting. Join us.



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Open Contracting Partnership

The Open Contracting Partnership connects governments, civil society and business to open up and transform public contracting so that it is smarter, better and fairer.

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Just to be totally clear, the real Idiot's Guides and For Dummies series have had nothing to do with this leaflet – they've not seen it, contributed to it nor endorsed it. We've used their name because they are synonymous with producing clear guides to complex topics, just as we're trying to do here.

