**An analysis of public procurement corruption:**

**Cases of Canada, Georgia and Estonia**

The effectiveness of measures on anti-corruption in public procurement across the three analyzed country cases varies significantly. It is remarkable that Georgia’s experience in fighting corruption in this area appears more effective vis-à-vis both Estonia and Canada.

The corruption level in Canada’s public procurement is evaluated at the medium risk level. Despite a number of effective measures (e.g. the sound legal base, an introduced Certificate of Independent Bid Determination for procurement, principles of integrity and rule of law, and a new position of the procurement Ombudsman), the situation has not dramatically improved. This, as it seems, is due to the following factors. First, a wide range of laws and legal acts opens a window of opportunities for manipulation, as supported by identified gaps (in laws on Financial Management and on Lobbying). Secondly, there is concern about the construction industry in Quebec, where close ties are observed between the industry, criminal groups and political parties. Third, ethical norms are increasingly violated by Canadian companies in the third world countries (in 2017 the World Bank included 117 Canadian firms in its “black list” while in early 2019 it was 127 firms).

Estonian corruption in public procurement appears similar to Canada’s to a certain degree in a sense that both contexts demonstrate a medium risk level. Regarding its strengths, Estonia has managed to transit from paper-based to e-procurement, which allows direct access to databases. This has led to certain reduction of corruption risks, along with time and finance efficiency. Another effective measure is 2017 single Law on Public Procurement, which facilitates the process of legislative monitoring of corruption. However, there are a number of significant problems. Firstly, this is the practice of favoritism on the part of civil servants due to the small size of Estonian business communities. Secondly, it is conflict of interest and collusion in bidding, as well as the practice of individual technical conditions (but lower than in most other EU countries). The problem of conflict of interests leads to the need of further complicating public procurement, in which procuring government agencies, in addition to existing legislation, are forced to adopt internal procedures with the aim of resolving conflict of interest. Thirdly, Estonia shall need to introduce quality criteria in the conduct of procurement instead of the currently used criterion of the lowest bid price.

Georgia not only “leads” among the three countries analyzed, but also determines the pace of procurement reforms in countries with transitional market economies, ahead of a number of developed countries in developing e-procurement systems. Thus, Georgian companies face a moderate risk of corruption. Georgian legislation provides a high level of transparency in public procurement, which ensures an inclusion of a larger number of firms through non-discriminatory terms, enhancing competition, and minimizing corruption risks. In addition, the country has developed a unified legal framework in the form of Criminal Code. However, Georgian legislation does not fully provide enforcement: indeed, there are certain shortcomings in the judicial system and public procurement. In particular, there is an understaffing of the judiciary due to the lack of specialized judges in the field of public procurement. In addition, Georgian legislation is not flexible enough and does not provide incentive mechanisms for simplifying formal procedures. Secondly, according to Transparency International, the risk of corruption in the national defense sector remains high. Thirdly, transparency provisions of the Law on Public Procurement do not apply to certain areas, including the Reserve Fund of Georgia’s President, government and Tbilisi mayor office, which have been excluded from the scope of Law.

The analysis is summarized in Table 1 below.

**Table 1** An analysis of strengths and shortcomings in procurement anti-corruption

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| **Nation** | **Risk level** | **Effective measures** | **Outstanding issues** |
| Canada | Medium | - Wide legislative base  - The Certificate of Independent Bid Determination  - Integrity and rule of law  - The Procurement Ombudsman | - Law gaps  - High risk in some industries (e.g. construction in Quebec)  - Unethical behavior of firms in Third World nations |
| Estonia | Medium | - Full digitization of procurement  - Single Law on procurement  - Crime and fine open-access database  - Willingness to integrate the EU Single Procurement Document | - Favoritism among civil servants  - Small business communities  - Conflict of interest  - Complication through the introduction of internal procedures  - The need to introduce quality indicators |
| Georgia | Moderate | - Effective laws  - Reliable anti-corruption base (the Criminal Code and Law on public procurement)  - Transparent public procurement | - Limited enforcement  - Understaffed judiciary  - The risk of corruption in the defense sector  - Transparency provisions of Procurement Law do not apply to the President Reserve Fund, government and Tbilisi mayor office |

***Source***: An analysis carried out by the Anti-Corruption Research Center of the Academy of Public Administration under the President of Kazakhstan