Compliance in Times of Crisis Dialogue Series

SESSION 2: KEY RISKS IN EMERGENCY PROCUREMENT

At the first session of the Partnering Against Corruption Initiative’s “Compliance in Times of Crisis Dialogue Series” in April 2020, the risk mapping exercise identified procurement as a top concern. As a result, the PACI Community suggested holding a follow-up session focused on emergency procurement. The discussion tackled critical challenges and corruption risks in procurement and highlighted mitigation strategies.

Compliance risks and challenges in procurement

- Justification of violations of principles of transparency and impartiality based on the urgency to act.
- Unjustified use of emergency procurement processes to bypass standard controls and protocols for goods and services.
- Overlooking important elements in the planning process that results in poor coordination, which could lead to cost overruns.
- Inability to adequately deploy compliance resources (particularly when on-site presence was necessary and not possible in the context of travel restrictions).
- Haste could lead to inadequate record keeping.
- Difficulties in conducting proper due diligence throughout the supply chain, especially when dealing with new suppliers.

- Different criteria for defining emergency situations across geographies and jurisdictions.
- Compromising quality with abbreviated due diligence processes.
- Emergency procurement fast-tracking can increase exposure to abuse and give space to kickbacks.
- The increase in contact with government officials raises the levels of risk and exposure.
- Economic crisis-led disappearance of trusted suppliers and emergence of non-vetted, particularly SMEs actors.
- Lack of coordination between government agencies responsible for procurement.

Mitigation strategies

- Revisit controls that worked well in the past and test if they are still effective in the current context.
- Reinforce the messages of purpose and values.
- Heighten rather than lose attention to potential risk sources.
- Reinforce focus in key stages of the procurement cycle instead of streamlining.
- Communicate inside and outside the organization that principles of impartiality and transparency are still binding, even when procurement processes have been simplified.
- Create alliances between different institutions and government bodies and prioritize high-risk cases.
- Encourage institutions to report and publish public information regarding contracts in real time to ensure that information is publicly available and accessible for higher accountability.
- Use technology to run red flags’ checks and risk analysis.
- Establish an interactive Q&A procedure with the procurement teams on the ground to identify challenges they are facing and solutions they are implementing.
- Simplify processes particularly for SMEs, e.g. contract standardization.
- Set clear principles for tenderers about what constitutes emergency and provide practical guidelines on how to address and cope with risks in emergency crises.
- Explore streamlining existent processes to avoid redundancies and duplications of steps between different departments, e.g. finance and procurement.
- Document changes and justify with a clear rationale why the new strategies are being followed.
- Explore conducting virtual audits in contexts where there is good knowledge of the partner: base your remote audit on past data and behaviours.
- Explore sector-based sharing/streamlining of audits and due diligence.
- Ensure a principle-based approach with a focus on transparency and impartiality, and train employees and stakeholders to understand these principles.
- Keep compliance critical: avoid the “tick the box” approach and follow the “what could go wrong” approach.
- Apply stress-testing on controls in order to be able to better predict what could go wrong.

Looking ahead

- Involve SMEs in recovery efforts.
- Ensure open and transparent systems for a better recovery.
- Accelerate and amplify lessons learned.
- Emphasize the use of technology to enhance due diligence and improve processes throughout the supply chain.

What are the stages in the procurement cycle that are more vulnerable to corruption?

<table>
<thead>
<tr>
<th>Stage</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Defining business needs and developing specifications</td>
<td>9%</td>
</tr>
<tr>
<td>Contract award and implementation</td>
<td>36%</td>
</tr>
<tr>
<td>Supplier relationship management</td>
<td>5%</td>
</tr>
<tr>
<td>Bid and tender evaluation and validation</td>
<td>9%</td>
</tr>
</tbody>
</table>

**Procurement cycle: COVID-19 Corruption risk map**

**Note:** Data reflects responses from participants to this session.

This paper summarizes key takeaways from the second session of the Compliance in Times of Crisis Dialogue Series organized by the PACI Community. The findings, interpretations and conclusions expressed herein are a result of a collaborative process facilitated and endorsed by the World Economic Forum, but whose results do not necessarily represent the views of the Forum, nor the entirety of its Members, Partners or other stakeholders.