



**Design and measurement of a corruption risk index from a  
supplier perspective in the context of COVID-19  
emergency**

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## **Design and measurement of a corruption risk index from a supplier perspective in the context of COVID-19 emergency**

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### **Abstract**

COVID-19 sanitary crisis has led to the need to enforce extraordinary public procurement rules in order to give quicker response to the challenges emerged in terms of public health and social assistance. However, these rules may have increased discretionary allocation of contracts to non-specialized suppliers, who may be potentially unsuitable to deliver high-quality goods and services. In this context, the Multipurpose Supplier Index (MSI) aims to measure the heterogeneity of purposes of firms supplying items to Colombian State after the enactment of Decree 440/2020, under the premise that highly heterogeneous firms are more prone to corruption than specialized firms. The objective of the following document is to identify those firms with higher heterogeneity of purposes, framing the discussion under a descriptive analysis of the aggregated behavior of Colombian public procurement awarded to firms since March 20<sup>th</sup>, 2020. Results suggest that 30% of current State suppliers with previous public contracting experience can be catalogued as 'multipurpose firms'. This share increases to 38% when considering only contracts awarded by Direct Contracting procurement method. Although the main items intended to alleviate COVID-19 outbreak are being provided by relatively specialized firms, results also show that nearly 20% of Colombian local governments are awarding contracts to firms that, on average, can be catalogued as 'multipurpose', opening windows of opportunity for rent extraction and corruption in Colombian public procurement.

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## Introduction

The unexpected outbreak of COVID-19 has posed some of the biggest challenges that humanity has had to endure in recent history in terms of public health. Governments have also been confronted to the challenge of preserving as many human lives as possible, while keeping the economy afloat and avoiding the rise of inequality.

The first measure that the Colombian government adopted in order to manage the pandemic and its effects was the declaration of the State of Emergency. Consequently, it enacted Decree 440/2020, which set the conditions under which national and local authorities are allowed to fast-track the allocation of public contracts as a mechanism to cope with the sanitary emergency at a faster pace. However, such rules also open a window of opportunity for corruption, since contract awarding procedures have lesser screening mechanisms.

Corruption in public procurement may occur through the allocation of contracts to firms whose expertise is not focused on the goods or services requested under the terms of reference, leaving aside firms that may be more suitable to fulfill those demands. In some cases “multipurpose firms”, entities whose purpose is a sort of catch-all-enterprise (e.g. they build roads, organize music concerts, educate citizens and provide health services), bid in procurement processes regardless of the specific know-how required by the contracting entity or of the specific know-how and experience of the offering party, with the aim of securing as many contracts as possible. In most cases, the lack of specialization of such multipurpose contractors endangers the rightful spending of public funds and puts at risk the capacity of the State to meet its goals. As a consequence, it may bring poor public service delivery, or the provision of bad-quality, overpriced elements.

Altogether, contracts awarded to multipurpose contractors may be more vulnerable to corruption and poor management risks than those contracts awarded to specialized firms or organizations. The risk is even greater under a context of exceptional contracting rules due to the COVID-19 sanitary crisis, since contracting bodies may not have the time to do an exhaustive evaluation of the bidders given the urgency to provide the needed services to citizens, or officials may abuse of their increased discretionary power in order to favor specific contractors.

Aiming to measure the risks that multipurpose contractors pose for the integrity and good management of public procurement in Colombia during the COVID-19 pandemic, this document seeks to answer the following questions:

- Which is the characterization of contractors attending the COVID-19 emergency in Colombia?

- Are public contracts aimed to overcome the crisis triggered by the pandemic being awarded to multipurpose firms/organizations? In what proportion? Why?
- Which type of government authorities are more prone to award contracts to multipurpose firms/organizations?
- Which would be the implications of these findings in terms of risks of corruption in Colombian public procurement?
- What recommendations could be given to the Colombian government in order to reduce risks of corruption in public procurement?

The methodology used for this analysis focused the assessment of public procurement processes from a supplier perspective, through the design and calculation of a **Multipurpose Supplier Index (MSI)**, an index that measures the heterogeneity of goods and services that a firm registered as a public contractor has supplied to the State. Thus, this study aims to identify which firms may be more prone to corruption or poor management in the execution of public contracts, given their previous record as a State contractor.

The document is structured as follows. Section 1 exposes the conceptual framework and methodology behind the structure of the MSI. Section 2 describes the samples used and data manipulation procedures needed to calculate the MSI in the context of public procurement after the enactment of Decree 440/2020. Section 3 shows a descriptive analysis of the contracts awarded between March 20<sup>th</sup>, 2020 and May 31<sup>th</sup>, 2020<sup>3</sup>. Section 4 shows the main outcomes derived from the calculation of the MSI, while Section 5 discusses which are the implications of these results in terms of corruption and poor management risks in Colombian public procurement. Section 6 concludes and outline recommendations for citizens to oversee public procurement.

## 1. Conceptual framework and methodology

### a. Conceptual framework

Corruption is a multidimensional phenomenon that may affect several spheres of public management. The definition of corruption to follow in this document is “the misuse of public office for private gain” (Rose-Ackerman, 2008, p. 551). Public procurement is particularly prone to corruption, as public procurement officials may collude with actors potentially interested on getting contracts awarded through non-competitive means.

One of the biggest challenges that faces the analysis of corruption, given its secret nature, is that it is a phenomenon hard to quantify. Consequently, it is difficult to estimate the exact cost that corruption has on public spending and

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<sup>3</sup> The sample includes 18 contracts registered as awarded after June 1<sup>st</sup>, 2020.

in society. In this regard, public procurement data poses an opportunity to use objective information to oversee the aggregated trends of public procurement behavior through the design and calculation of *red flags* aimed to detect risks of corruption.

Several studies make extensive use of red flags to identify risks of corruption in public procurement at an international level (Broms et al., 2019; Coviello & Gagliarducci, 2017; David-Barrett & Fazekas, 2016). At a descriptive level, Fazekas et al. (2016) elaborated an extensive literature review about objective measurements of corruption risks based on public procurement information. On that basis, they defined four types of Tendering Risks Indicators: Contracting Body Risks Indicators, Political Connections Indicators, and Supplier Risks Indicators. In Colombia, although there is scant descriptive literature that analyzes public procurement data (Zuleta et al., 2018; Zuleta & Medellín, 2020), there is an increasing trend to use red flags based of public procurement data as outcome variables for the detection of risks of corruption (Ruiz, 2018; Romero, 2019; Gallego et al., 2020).

The Multipurpose Supplier Index would be a novel contribution to the group of Supplier Risks Indicators categorized by Fazekas et al. (2016, pp. 16-18), particularly to the subgroup of indicators based on the company registry attributes. It is an index aimed to provide information from suppliers' standpoint, which means that other potentially corrupt phenomena derived from public procurement should not be interpreted in terms of the value of the abovementioned index.

## **b. Methodology**

The Multipurpose Supplier Index (MSI) aims to measure the heterogeneity of purposes that a registered State provider firm or organization has, according to the number of varieties supplied to any State institution (C1) and the gap between the types of goods and services awarded to any State institution in two different time intervals (C2). These two components are weighted as follows:

$$MSI_i = 0,5 * C1 + 0,5 * C2 \quad (1)$$

The MSI would take a value between 0 and 1, being 0 the value that the index would take for a specialized firm or organization that has always had public contracts awarded to provide the exact same type of goods and services, and hence representing lower risks of corruption. Conversely, the MSI would take a value of 1 in the case that a firm is highly "multipurpose", meaning that it has always supplied different varieties of goods and services to the State, entailing higher risks of corruption. A firm whose MSI value is below 0,5, will be considered as a 'low risk' firm, whereas a firm whose MSI score is above 0,5, will be considered a 'high risk' firm. For instance, if a firm gets an MSI score of 0,7,

it would necessarily imply that the index would be capturing heterogeneities though both C1 and C2, entailing higher risks for corruption or poor management in the execution of public contracts.

A description of the components of the MSI is detailed next.

### **Component 1 (C1):**

The first component of the MSI measures the number of varieties (evaluated by family<sup>4</sup>) awarded to a firm  $i$  following two different criteria (C1A and C1B), weighted as follows:

$$C1_i = 0,5 * C1A_i + 0,5 * C1B_i \quad (2)$$

**Component C1A** denotes the relationship between the number of varieties that a firm  $i$  supplies to the Colombian State, and the number of contracts awarded to the firm  $i$  after the enactment of Emergency Decree 440/2020, as described in Equation (3).

$$C1A_i = \left( \frac{\text{Number of varieties supplied to State}_i}{\text{Total number of contracts}_i} \right)_{COVID} \quad (3)$$

**Component C1B** calculates the proportion between the number of varieties that the firm  $i$  has supplied to the State and the maximum amount of varieties supplied by a firm to the State (from all firms considered in the sample), as described in Equation (4). This component is measured according to the record of contracts awarded to the firm between 2012 and March 20<sup>th</sup>, 2020.

$$C1B_i = \left( \frac{\text{Number of varieties supplied to State}_i}{\text{Maximum value of varieties supplied to State by all firms}} \right)_{pre-COVID} \quad (4)$$

### **Component 2 (C2):**

The second component of the MSI measures the distance between the class, family and segment of the varieties of goods and services in which present contracts have unfolded, compared to the varieties previously supplied to the Colombian State. It is measured according to Equation (5):

$$C2 = 1 - \left( \frac{\text{Number of matches between categories of varieties}_i}{\text{Number of varieties supplied to State}_i} \right)_{COVID} \quad (5)$$

The number of matches between categories of varieties is calculated according to the structure of the United Nations Standard Products and

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<sup>4</sup> The evaluation of varieties by family considers the first four digits of the code of the good or service according to UNSPSC Standard.

Services Code classification standard (UNSPSC<sup>5</sup>). It compares how many varieties, from the total amount of varieties of goods and services supplied after the enactment of Decree 440/2020, were previously supplied by the same firm between 2012-March 20<sup>th</sup>, 2020. The comparison between categories was established according to the following weights:

**Table 1. Weights allocated to the matching of varieties by firm between pre-COVID and COVID samples**

Categories of classification (COVID sample)	Categories of classification (pre-COVID sample)	Number of digits (UNSPSC Standard)	Weight
Class	Class	6	100%
Family	Family	4	66%
Segment	Segment	2	33%
No matching	No matching	0	0%

Source: Own elaboration, based on UNSPSC Standard.

It is important to note that Component 2 takes into account the total number of varieties supplied to the Colombian State evaluated at these three levels of disaggregation, regardless of the total number of contracts. In addition, those firms whose varieties by class level match between COVID and pre-COVID samples will also necessarily match at a family and segment level. In short, it will never be the case that there is a match by class and no match among the subsequent categories.

## 2. Data and selected samples

For the measurement of the MSI, we have filtered and used a dataset that contains all public contracts awarded by the Colombian State, at a national and local level, between 2012 and May 31, 2020, containing information about the varieties of goods and services that a firm  $i$  – identified as a legal person – was aimed to provide to any public institution (the buyer).

This information is recorded by Colombia Compra Eficiente (CCE), the Colombian agency in charge of the improvement and regulation of public procurement and of the administration of the public procurement portal. CCE centralizes Colombian public procurement data through SECOP I and SECOP II platforms, both following Open Contracting Data Standard (OCDS). Although CCE publishes most of public procurement information available through the official open data website of the Colombian government<sup>6</sup>, the dataset used

<sup>5</sup> More information regarding to the Standard can be found at <https://www.unspsc.org>.

<sup>6</sup> The Colombian Government Open Data website is [www.datos.gov.co](http://www.datos.gov.co).



for the measurement of the MSI was provided directly by the team of the Open Contracting Partnership in OCDS format<sup>7</sup>.

This analysis considered four samples:

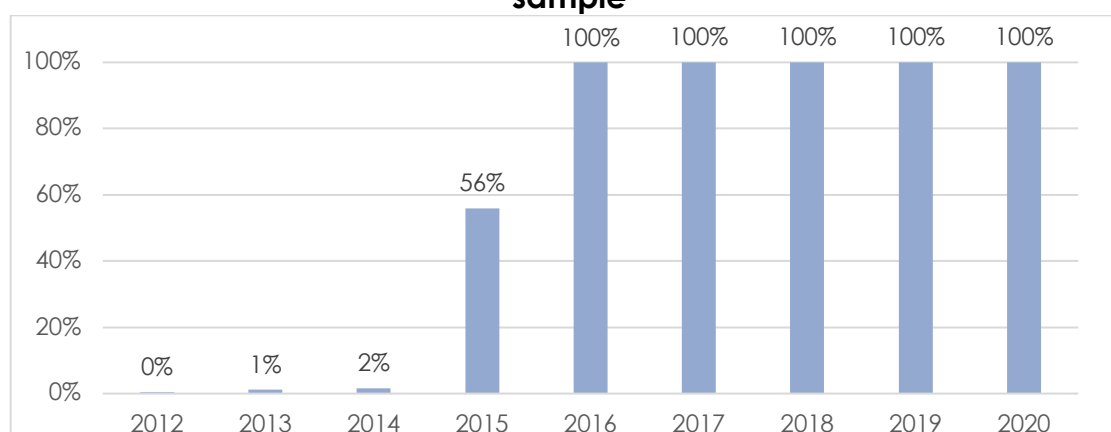
- i) Full sample, which includes all procurement methods;
- ii) Contracts awarded by Direct Contracting<sup>8</sup> procurement method;
- iii) Contracts awarded by Special Contracting Regimes<sup>9</sup>, and;
- iv) Contracts awarded by both Special Contracting Regimes and Direct Contracting procurement methods.

Each of these four samples are also divided in two sections, according to the date of enforcement of Decree 440/2020:

- Contracts awarded before March 20<sup>th</sup>, 2020 (pre-COVID sample).
- Contracts awarded after March 20<sup>th</sup>, 2020 (COVID sample).

The main variable of interest for the construction of the MSI is the item or service associated to each contract, which were awarded to a firm *i*. As mentioned before, SECOP platform codifies this information according to the United Nations Standard Products and Services Code (UNSPSC), which groups every type of goods and services in four different categories: product (eight digits), class (six digits), family (four digits) and segment (two digits). As stated in Table 1, this case study focuses in those categories of disaggregation up to six digits.

**Graph 1. Percentage of contracts containing items information in pre-COVID sample**



<sup>7</sup> More information regarding to OCDS can be found at <https://standard.open-contracting.org/latest/en/>

<sup>8</sup> Direct Contracting procurement method refers to the procedure through which public Entities award contracts to suppliers without the need of selection mechanisms or calls for tenders. Colombian legislation only allows the use of this awarding method under specific circumstances (Law 1150/2007, Art. 2).

<sup>9</sup> Public Procurement Special Regimes refer to the set of Entity-specific procurement regulations allowed to some public organisms in replacement of the standard public procurement rules in Colombia stated in Law 80/1993 and Law 1150/2007.

Source: Own elaboration, based on SECOP.

It is also worth noting that 77% of the full pre-COVID sample (contracts between 2012 and March 20<sup>th</sup>, 2020) has codified information about the items related to the contracts. Graph 1 shows the percentage of registry of items in SECOP platforms as a share of the total amount of contracts by year. It is possible to infer from the graph that UNSPSC coding system was fully implemented since 2015. By contrast, all contracts considered in COVID samples have items information associated to each of them.

Table 2 describes the size of the samples once accounting for non-missing information about the goods and services awarded. The total amount of contracts awarded to firms between March 20<sup>th</sup>, 2020 and May 31<sup>th</sup>, 2020, is 29.176, which were awarded to 11.169 firms. Of these, 85,2% (9.520 firms) were State suppliers at least once before the enactment of Decree 440/2020.

Please note an important consideration about Table 2. The sum of the number of contracts for the pre-COVID sample between direct contracting, special regime, and direct contracting and special regime does not coincide because the list of firms for the third category is not equal to the sum of firms with contracts awarded by direct contracting and by special regime as separated categories.

**Table 2. Samples by procurement method**

Samples	Procurement methods			
	All procurement methods	Direct contracting	Special Regime*	Direct Contracting and Special Regime*
COVID	29.176	6.988	15.898	22.886
pre-COVID	725.347	97.461	381.465	527.723
Number of firms with contracts awarded in COVID	11.169	4.675	4.690	8.671
Number of firms in COVID and pre-COVID	9.520	3.262	3.942	7.032

\*Strictly speaking *Special Regime* is not a procurement method. However, OCDS registers it as one of the criteria in the variable 'Procurement Method'. As it will be explained below, the size and importance of Special Regime in Colombian public procurement must not be ignored, hence, this case study will consider it as a separate category that should be carefully interpreted.

Source: Own elaboration, based on SECOP.

In other words, it means that the third category includes firms that have contracts awarded by direct contracting, by special regime, and by both direct contracting and special regime. This means that the third list includes companies that had contracts awarded by Direct Contracting procurement

method before March 20<sup>th</sup>, 2020 and by Special Regime after March 20, 2020, and also for firms with contracts awarded by Special Regime before March 20<sup>th</sup>, 2020 and Direct Contracting after March 20<sup>th</sup>, 2020. Hence, the total amount of contracts should be higher in the third category than separately.

### 3. A descriptive analysis of Colombian public procurement during the State of Emergency

#### a. Colombian public procurement by procurement method

The starting point to understand the trends of Colombian public procurement during the State of Emergency is to identify which type of procurement method is predominantly used, and then to identify if the frequencies are highly heterogeneous. Table 3 shows the percentage of contracts grouped by procurement method and the total sum of the contracts' value.

For the COVID sample, almost 24% of the total amount of contracts were awarded under Direct Contracting procurement method, which means that at least one fourth of contracts were not open for public bidding. This outcome goes in line with the arguments previously exposed by Zuleta & Caro (2020), who claim that there is a significant importance of Direct Contracting as a procurement method in Colombia.

**Table 3. Types of Procurement Methods for Legal Entities, State of Emergency COVID-19**

Procurement Method	Percentage of contracts awarded as a share of the total amount of contracts	Total value of contracts (COP Millions)
Public Private Association	0,05%	\$ 424
Open Contest of Merits	0,4%	\$ 30.447
Contest of Merits with Short List	0,003%	\$ 80
Direct Contracting (with offers)	0,8%	\$ 333.015
Direct Contracting (Law 1150 of 2007)	23,1%	\$ 6.698.953
Minimum Contract Amount	14,9%	\$ 110.707
Special Regime (with offers)	3,5%	\$ 619.149
Contracts and Agreements with more than two parties	1,0%	\$ 433.384
Public Works Tender	0,1%	\$ 48.671
Public Tender	0,9%	\$ 390.280
Special Regime	51%	\$ 2.852.385

Abbreviated Selection of Minor Amount (Law 1150 of 2007)	2,2%	\$ 390.401
Abbreviated selection of literal h of numeral 2 of article 2 of Law 1150 of 2007	0,02%	\$ 1.604
Abbreviated Selection Minor Amount Without Expressing Interest	0,003%	\$ 10.537
Short Selection Health services	0,003%	\$ 252
Short selection reverse auction	1,3%	\$ 195.171
Auction	0,6%	\$ 65.863
<b>TOTAL</b>	<b>100%</b>	<b>\$ 12.181.324</b>

Source: Own elaboration, based on SECOP.

Moreover, 51% of contracts in the sample are being awarded under the so-called Special Contracting Regime. As this regime differs by Entity, Special Contracting Regime cannot be considered as a procurement method. Contracts can be awarded by any procurement method, but if the buyer Entity is allowed to award contracts through a Special Regime, then SECOP does not require Entities to register the specific details of the award method used to allocate the contracts awarded under this regime. Furthermore, SECOP does not record the degree of competition for the provision of goods and services among suppliers in those contracts awarded under Special Contracting Regime.

Table 3 also shows that the total contract value amount is the highest for Direct Contracting, with almost 55% of the total value of public procurement after the enactment of Decree 440/2020. A detailed analysis allows to identify that 37% of Direct Contracting value amount goes to public contracts associated to loans<sup>10</sup>. Secondly, 28% of the total value of contracts awarded by this procurement method account for the Provision of Professional Services and Management Support (which also has the largest number of contracts awarded by Direct Contracting procurement method). Additional outcomes show that 20% of the total value correspond to inter-administrative contracts, while Manifest Urgency reports 7% of the total value of contracts awarded. Finally, Contracts awarded through Special Regimes account for almost 23% of the total value amount. This outcome is not surprising due to the high frequency of contracts allocated under this figure, and the smaller proportion of use of other procurement methods.

A second framework of analysis concerns to the types of Goods and Services contracted during COVID-19 sanitary crisis. Table 4 summarizes the top 15 of goods and services most frequently contracted since the Colombian government declared the State of Emergency. 'Surgical Products' occupy the top of the list with almost 6% over the total sample, which goes in line with the

<sup>10</sup> It is worth to notice that the money transferred through these loans (empréstitos) can be spent on the allocation of other contracts.

type of products required for the attention of a public health crisis. In the second place, 'Human Resources' has a 4% share of the total amount of contracts, given that government entities frequently contract professional services to support the operation of the Entity.

Some other relevant information regarding the list of highly awarded goods and services includes the case of 'Community and Social Services', which occupies 3,42% of the total amount of contracts. Due to the current conjuncture and the constant call of preventive isolation, it is unclear the reason why this is a highly awarded item. In contrast, the purchase of 'Computer Services' and 'Insurances', each of which accounts for approximately 3.1% over the total sample, seems to behave accordingly to the stable trend of previous years. Finally, the remaining top goods and services purchased are related to health care and medicines. Therefore, an important share of public contracts in Colombia after the enactment of Decree 440/2020 are meant to cover and overcome COVID-19 sanitary crisis.

Graph 2 shows the total value of contracts awarded by items, which does not necessarily coincide with the top list of goods and services previously shown. According to the graph, COP \$1.566 billion have been destined to 'Public Services', followed closely by 'Development Finance'. After those items, the list is composed mainly by Health Services and Medicines (except for Credit Bureau in the top 4, accounting for COP \$1.127 billion). The other items of the list are 'Specialized Educational Services', 'Fuels', 'Maintenance and repair services for buildings' and 'management consulting'.

**Table 4. Types of Good and Services contracted under State of Emergency Covid-19**

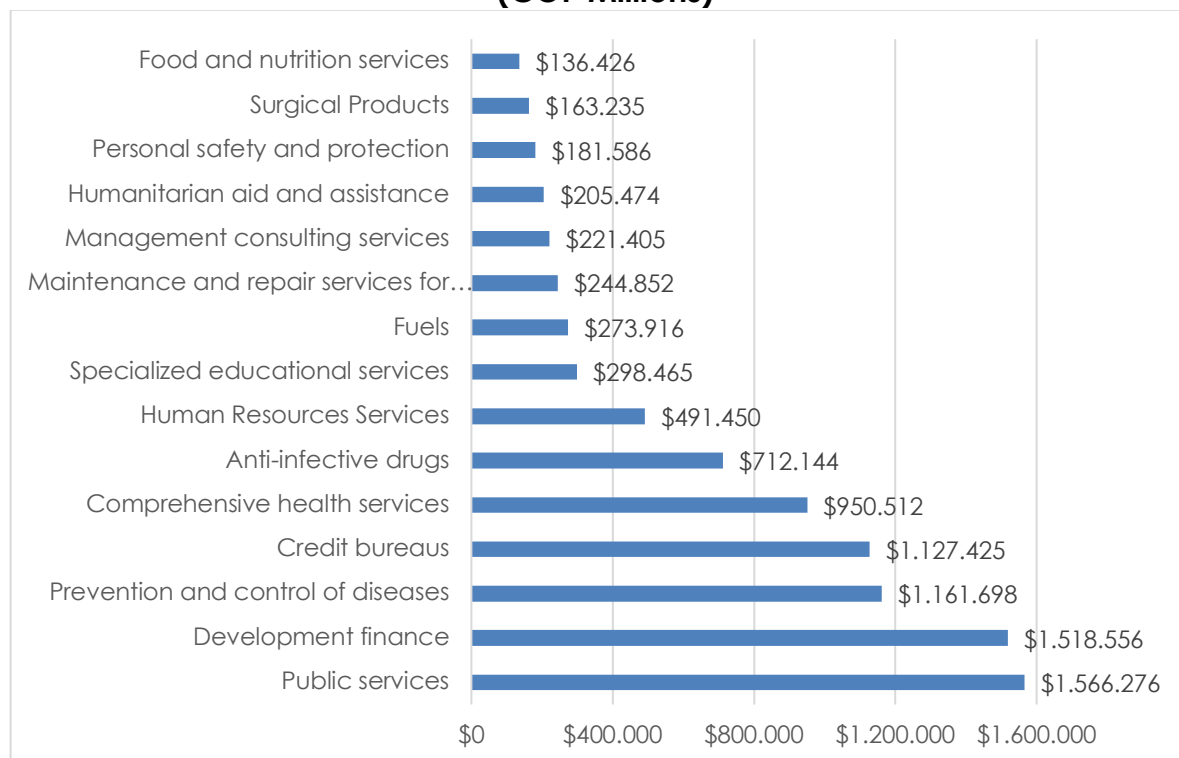
<b>Good and Services</b>	<b>Item Classification ID (Family)</b>	<b>Percentage of contracts awarded as a share of the total amount of contracts</b>	<b>Total value of contracts (COP Millions)</b>
Surgical Products	4229	6,0%	\$ 163.235
Human Resources Services	8011	4,4%	\$ 491.450
Comprehensive health services	8510	3,7%	\$ 950.512
Community and social services	9314	3,4%	\$ 104.589
Medical Center Products	4219	3,1%	\$ 37.964
Insurance and pension services	8413	3,1%	\$ 73.768
Computer Services	8111	3,1%	\$ 43.273
Anti-infective drugs	5110	2,5%	\$ 712.144

Miscellaneous drug categories	5121	2,4%	\$ 45.732
Medical practice	8512	2,3%	\$ 98.779
Medical fabrics and dresses	4213	2,2%	\$ 58.206
Management consulting services	8010	2,0%	\$ 221.405
Sick care and treatment products, supplies	4214	1,9%	\$ 31.611
Laboratory supplies and accessories	4112	1,8%	\$ 24.349
Maintenance and repair services for buildings and facilities	7210	1,8%	\$ 244.852
TOTAL		100%	\$ 12.181.324

Source: Own elaboration, based on SECOP.

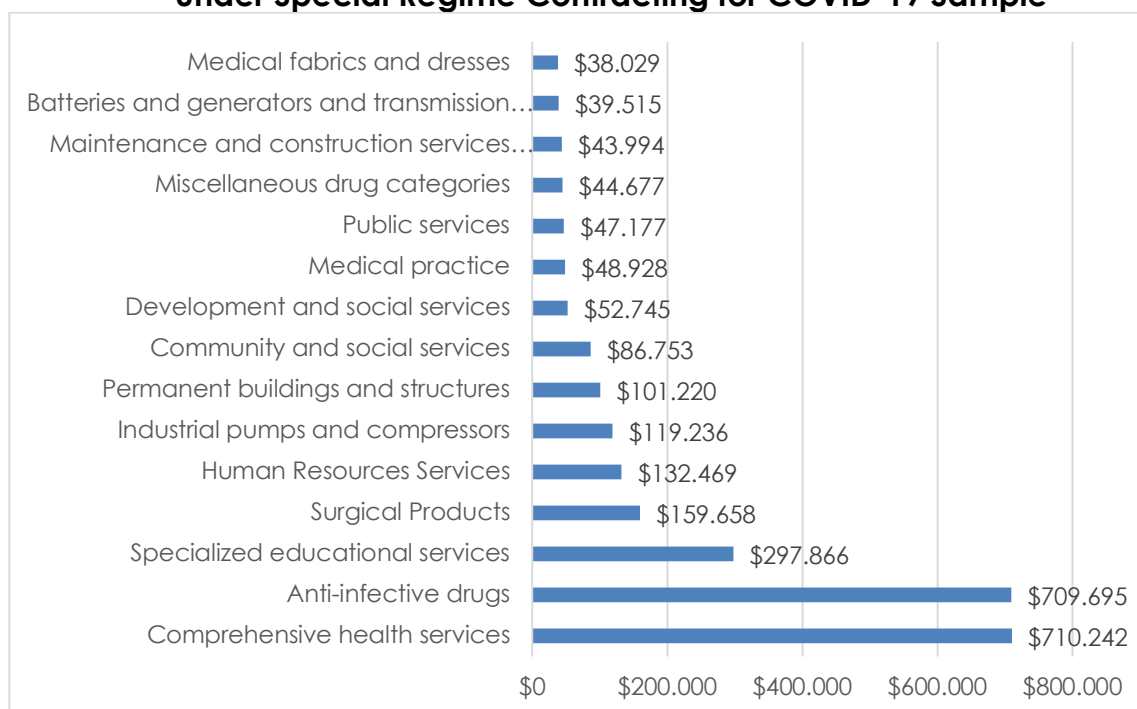
As concluded in previous paragraphs, during the State of Emergency the Colombian Government has increased its level of debt. Therefore, in terms of the total value of contacts, it is reasonable to find 'Public Services', 'Development Finance' and 'Credit Bureaus' in the top of the list, while the remaining goods and services cover the supplies needed to attend COVID-19 crisis.

**Graph 2. Types of Goods and Services with the highest Total Value Amount (COP Millions)**



Source: Own elaboration, based on SECOP.

**Graph 3. Types of Good and Services with the highest Total Value Amount under Special Regime Contracting for COVID-19 Sample**



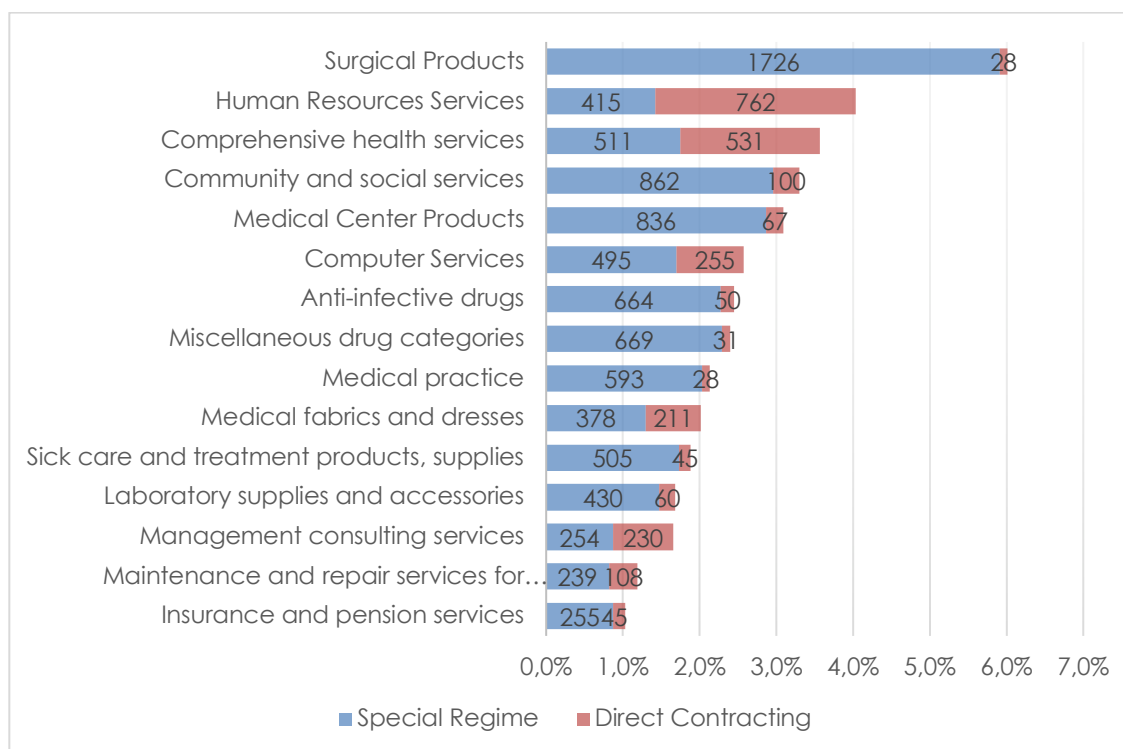
Source: Own elaboration, based on SECOP.

Looking at the other side of the analysis, Graph 3 shows the types of Goods and Services with the highest total value amount under Special Regime. It is important to remark that even when there are a lot of contracts under these regimes, their total value amount is not the highest over the sample when compared to other procurement methods. The items that account for the highest total value are 'Comprehensive health services' with COP \$710,242 million, followed by 'Anti-Infective drugs' with COP \$709,695 million. The other items on the list are related to Healthcare and Medicines, with some few exceptions. Thus, contracts awarded under Special Regimes are covering the needs of COVID-19 emergency.

Graph 4 shows the 15 main goods and services awarded by Special Regime, compared to the percentage of contracts awarded to provide the same items by using Direct Contracting procurement method. It is important to note that almost all of the items in Graph 3 are also part of the top list depicted in Graph 4. It is explained because half of the contracts awarded during COVID-19 crisis have been awarded under this figure. However, some of them, such as 'Human Resources', 'Management Consulting', and 'Comprehensive Health Services' are predominantly purchased through Direct Contracting method.

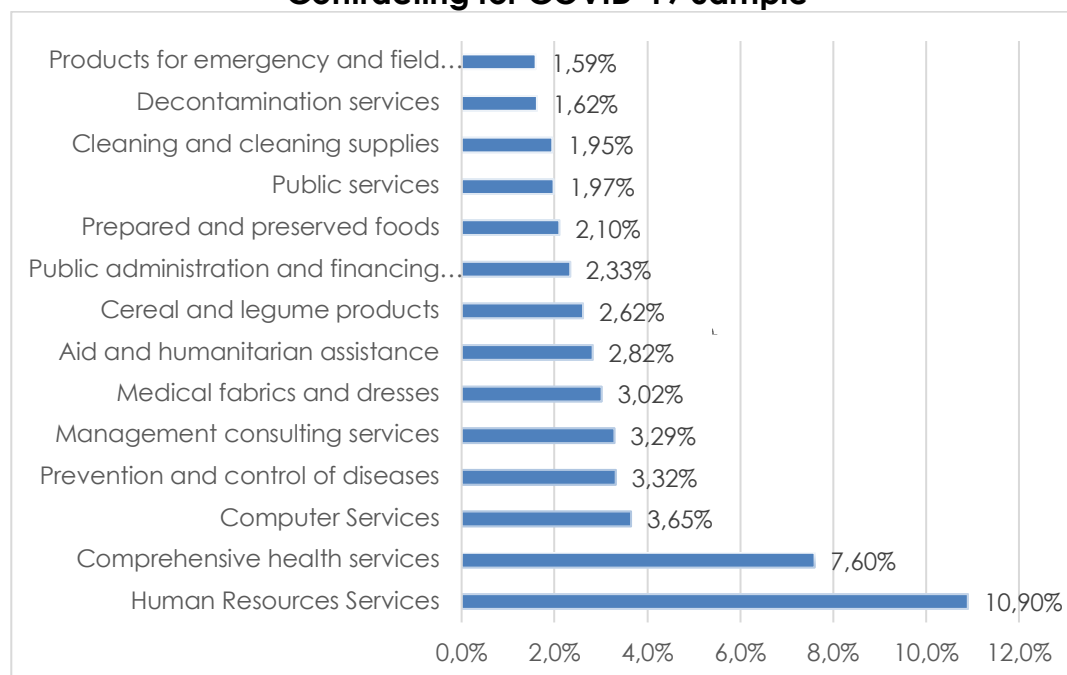


**Graph 4. Percentage of Special Regime and Direct Contracts over the most frequent Good and Services for COVID-19 Sample**



Source: Own elaboration, based on SECOP.

**Graph 5. Percentage of the most frequent Goods and Services under Direct Contracting for COVID-19 Sample**



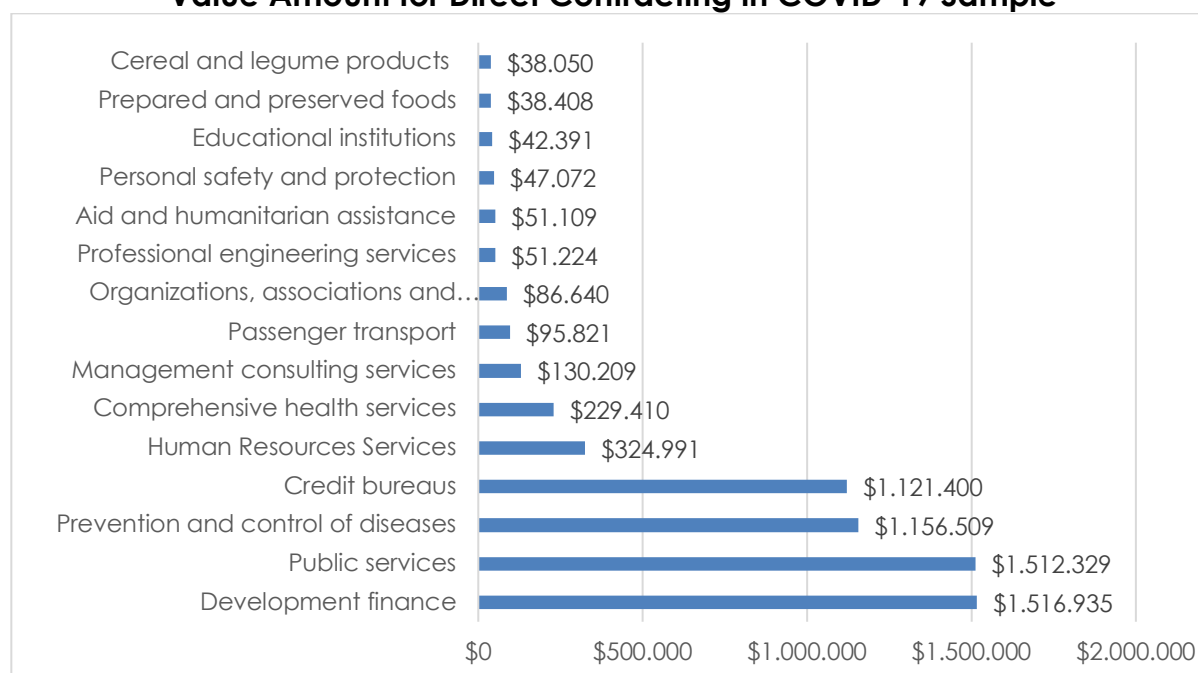
Source: Own elaboration, based on SECOP.



Looking at the Total Value Amount for Direct Contracting, the top of the list is composed of Development Finance with COP \$1,516,935 million, followed by Public Services with COP \$1,512,329 million, as depicted in Graph. 6. The distribution of this list is very similar to the one presented in Graph 2, because Direct Contracting accounts for 55% of the total value of contracts awarded after the enactment of Decree 440/2020.

It is important to keep in mind that under Direct Contracting the National Entity can perform discretionary selection of the private agent that it considers achieves the best conditions to satisfy the needs of the contract (Zuleta & Caro, 2020). Therefore, there are some precise reasons that justify the use of this method. For instance, Manifest Urgency motivation (as stated in Decree Law 440/2020) represents 36% of the total amount of contracts awarded by Direct Contracting procurement method during COVID-19 emergency. However, it is important to check if those contracts seek to overcome the crisis.

**Graph 6. Types of Goods and Services with the highest Sum of Contract Value Amount for Direct Contracting in COVID-19 Sample**



Source: Own elaboration, based on SECOP.

Table 4 summarizes the main goods and services awarded under Manifest Urgency, and its total sum of contract value. The frequency list is led by 'Cereal and Legume Products', with a share of almost 10,5%. It is followed by Humanitarian Aid, Medical Fabrics and Dresses, and Human Resources. Although the table is mainly composed of items related to Healthcare Services, it also has a share of 7% of contracts related to the provision of Restaurants and Catering services and 6% in Passenger transportation. There is no obvious

reason to justify public contracts under Manifest Urgency in order to purchase items seemingly unrelated to the attention of COVID-19 outbreak.

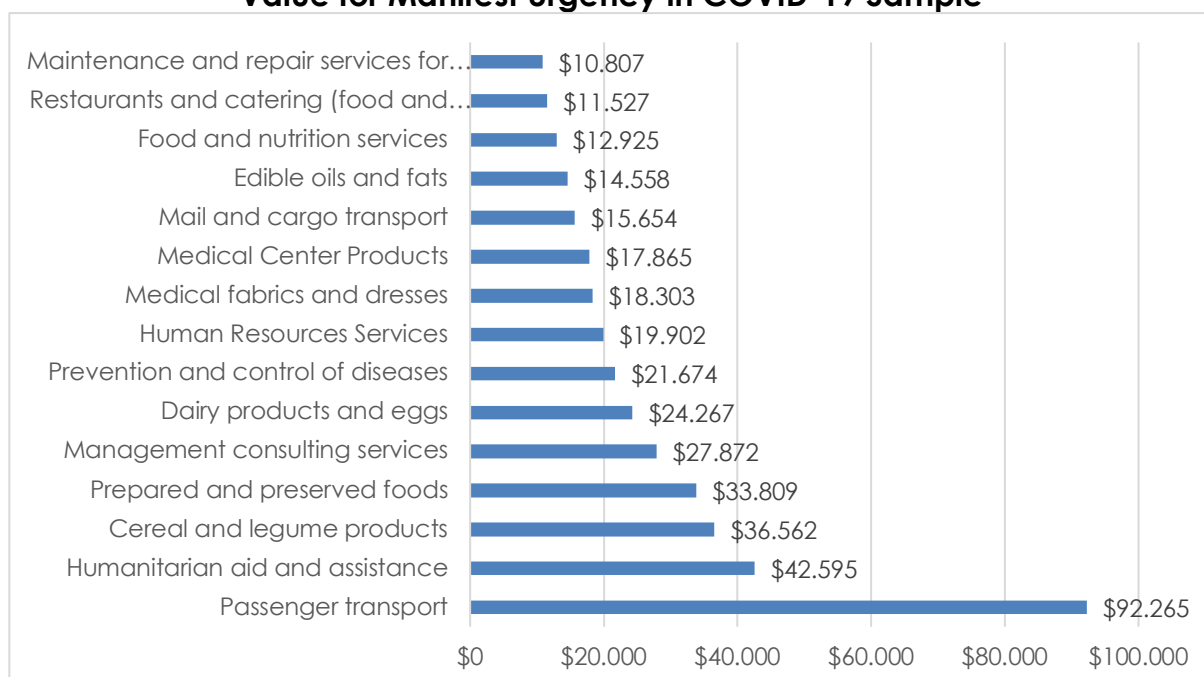
**Table 4. Types of Good and Services contracted under Manifest Urgency for COVID-19 Sample**

<b>Good and Services</b>	<b>Percentage of contracts awarded as a share of the total amount of contracts</b>	<b>Total value of contracts (COP Millions)</b>
TOTAL	100,00%	\$ 527.338
Cereal and legume products	6,9%	\$ 36.562
Medical fabrics and dresses	6,5%	\$ 18.303
Humanitarian aid and assistance	6,2%	\$ 42.595
Human Resources Services	5,3%	\$ 19.902
Prepared and preserved foods	4,9%	\$ 33.809
Cleaning and cleaning supplies	4,2%	\$ 4.524
Prevention and control of diseases	3,8%	\$ 21.674
Edible oils and fats	3,1%	\$ 14.558
Restaurants and catering (food and beverage services)	3,1%	\$ 11.527
Passenger transport	3,1%	\$ 92.265
Fuels	2,8%	\$ 1.762
Products for emergency and field medical services	2,7%	\$ 9.973
Personal safety and protection	2,6%	\$ 4.687
Decontamination services	2,3%	\$ 5.053
Maintenance and repair services for buildings and facilities	1,7%	\$ 10.807

Source: Own elaboration, based on SECOP.

As mentioned before, the total value of the contracts awarded under Manifest Urgency is only 7% of the total sum of those awarded by Direct Contracting method. Graph 7 shows the list of goods and services which have had the highest monetary values awarded under Manifest Urgency. It is surprising that passenger transport accounts for COP \$ 92,265 million, as *prima facie* it does not seem to be an item directly related to overcome the pandemic. However, most of the other items of the list relate to food or health services -with a few exceptions- but their values are not high.

**Graph 7. Types of Goods and Services with the highest Sum of Contract Value for Manifest Urgency in COVID-19 Sample**



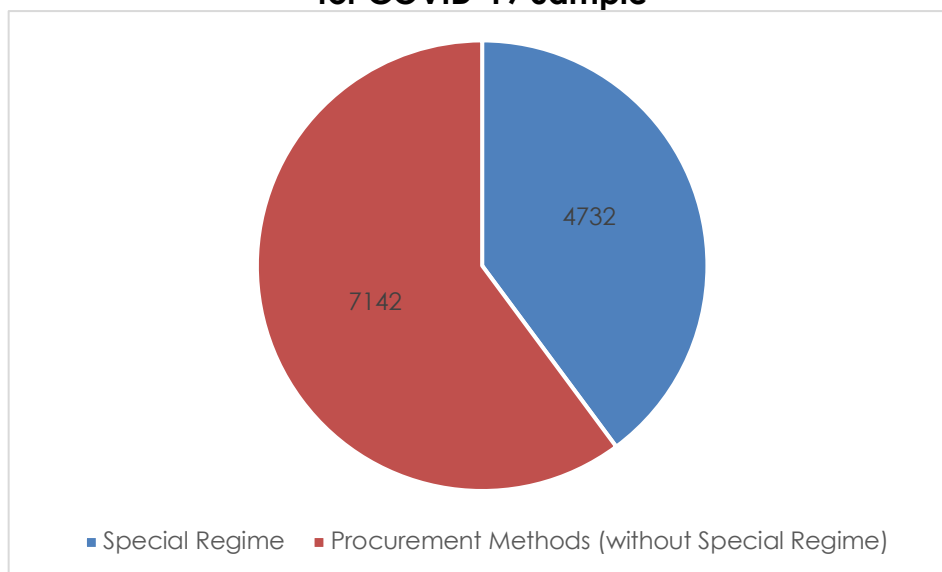
Source: Own elaboration, based on SECOP.

## **b. Colombian public procurement by firms**

The second part of the descriptive analysis is focused on the firms which supply the demands of public Entities in the context of COVID-19 public procurement. Graph 8 shows the percentage of firms contracted by public entities that registered the contract under the Special Regimes category for the COVID-19 Sample, compared to the number of firms whose contracts are registered as having been awarded by any other category, corresponding to any of the existing public procurement methods. Results show that 42,47% of the total number of firms get contracts awarded under Special Regimes, which highlights the need to make more transparent its use.

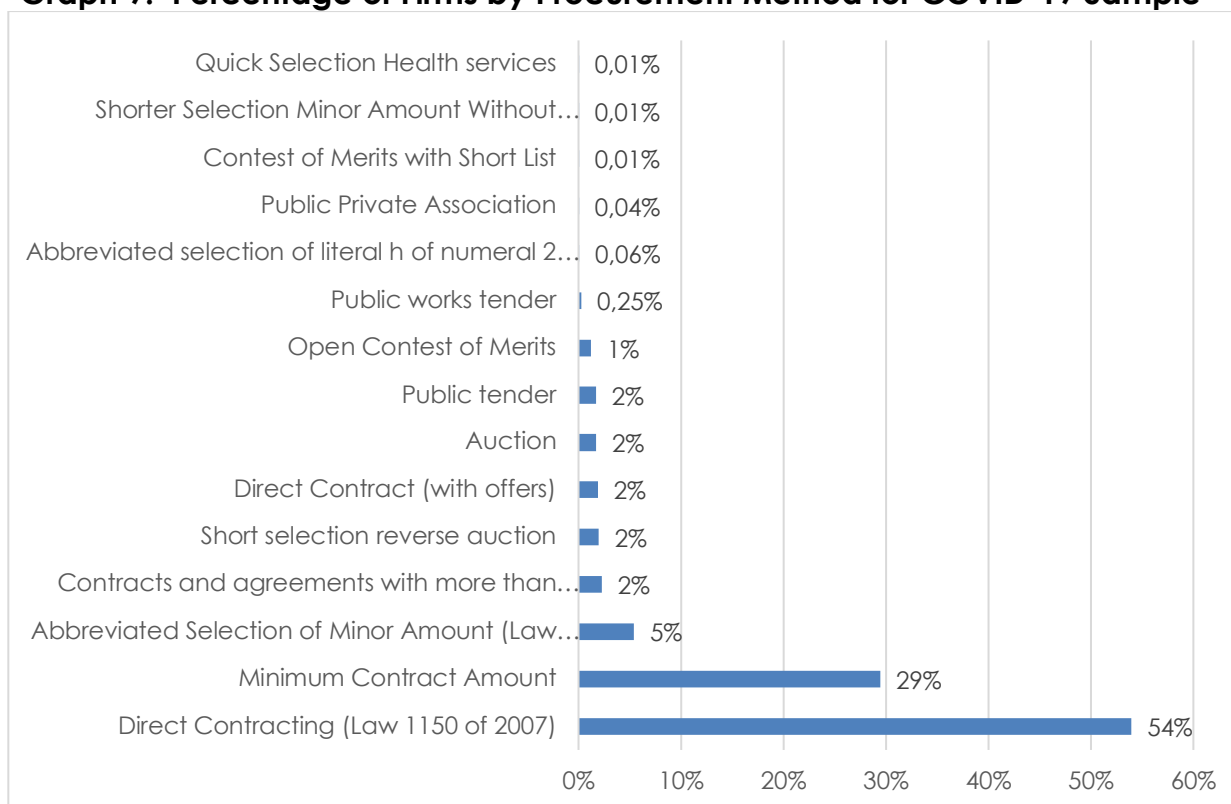
In order to disaggregate the number of firms whose contracts are awarded by each procurement method (the red section of Graph 8), Graph 9 shows that almost 54% of the firms are receiving contracts awarded under Direct Contracting, while 29% of firms get contracts awarded under the Minimum Contract Amount.

**Graph 8. Percentage of Firms by Procurement Method and Special Regime for COVID-19 Sample**



Source: Own elaboration, based on SECOP.

**Graph 9. Percentage of Firms by Procurement Method for COVID-19 Sample**

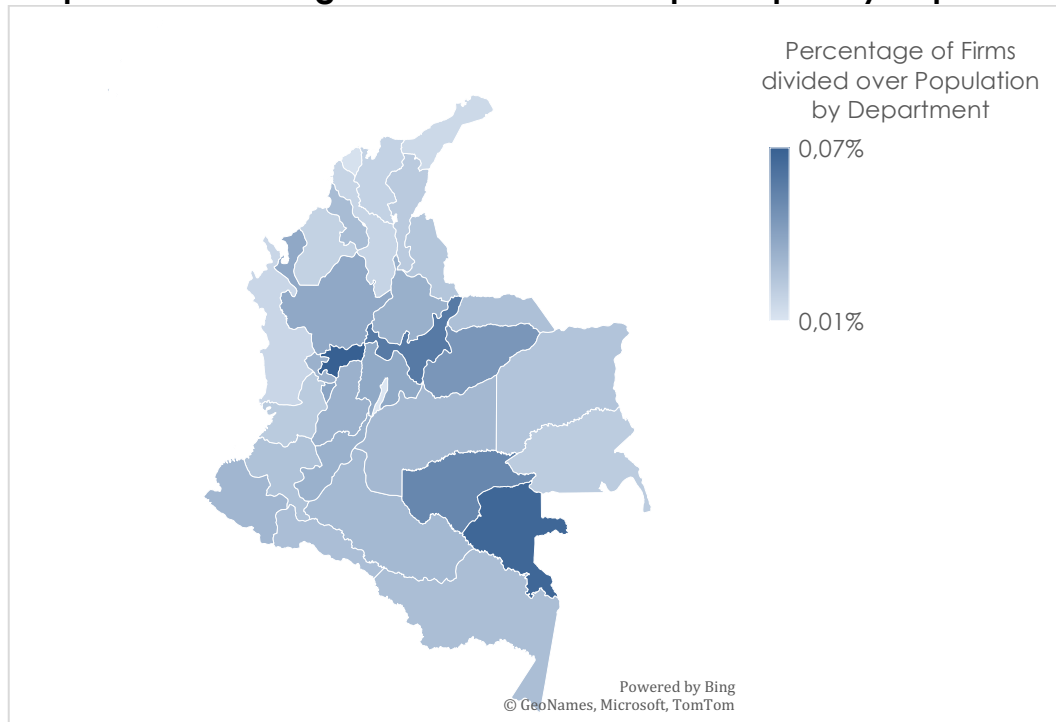


Source: Own elaboration, based on SECOP.

Graph 10 below highlights the Colombian regions with the highest percentage of firms contracted. A high rate of firms contracted in a region weighted by

the size of the population in the region is a proxy that allows to infer how many suppliers a region has, compared to its potential demand (the total amount of citizens). In the first case, it is notorious that contracts inside Caldas department are being awarded to a high number of firms, once accounted by the size of its population, meaning that there is a high level of supplier competition relative to the size of the demand for goods and services financed with public funds. More surprisingly, there is also a high share of firms contracted in Vaupes relative to its population.

**Graph 10. Percentage of firms Contracted per capita by Department**



Source: Own elaboration, based on SECOP.

**Table 5. Number of contracts per capita, by Department**

Department	Population <sup>11</sup> (2020)	Contracts	Number of Firms Contracted	Percentage	Quantity of Firms per Capita in percentage
Amazonas	79.020	22	19	0,2%	0,02%
Antioquia	6.677.930	8281	2285	20,5%	0,03%
Arauca	294.206	87	68	0,6%	0,02%
Atlántico	2.722.128	306	216	1,9%	0,01%
Bogotá	7.743.955	2190	425	3,8%	0,01%
Bolívar	2.180.976	422	299	2,7%	0,01%
Boyacá	1.242.731	1330	692	6,2%	0,06%
Caldas	1.018.453	1358	692	6,2%	0,07%

<sup>11</sup> Population data retrieved from the National Statistics Department (DANE by its initials in Spanish).

Caquetá	410.521	157	109	1,0%	0,03%
Casanare	435.195	257	186	1,7%	0,04%
Cauca	1.491.937	665	334	3,0%	0,02%
Cesar	1.295.387	333	239	2,1%	0,02%
Chocó	544.764	86	70	0,6%	0,01%
Córdoba	1.828.947	465	274	2,5%	0,01%
Cundinamarca	3.242.999	1624	1107	9,9%	0,03%
Guainía	50.636	11	9	0,1%	0,02%
Guaviare	86.657	47	43	0,4%	0,05%
Huila	1.122.622	628	341	3,1%	0,03%
La Guajira	965.718	148	113	1,0%	0,01%
Magdalena	1.427.026	291	211	1,9%	0,01%
Meta	1.063.454	457	284	2,5%	0,03%
Nariño	1.627.589	1093	453	4,1%	0,03%
Norte de Santander	1.620.318	681	332	3,0%	0,02%
Putumayo	359.127	118	86	0,8%	0,02%
Quindío	555.401	367	202	1,8%	0,04%
Risaralda	961.055	439	290	2,6%	0,03%
San Andrés and Providencia	63.692	24	23	0,2%	0,04%
Santander	2.280.908	1116	700	6,3%	0,03%
Sucre	949.252	401	238	2,1%	0,03%
Tolima	1.339.998	1002	402	3,6%	0,03%
Valle del Cauca	4.532.152	1613	827	7,4%	0,02%
Vaupés	44.712	47	29	0,3%	0,06%
Vichada	112.958	28	24	0,2%	0,02%

Source: Own elaboration, based on SECOP.

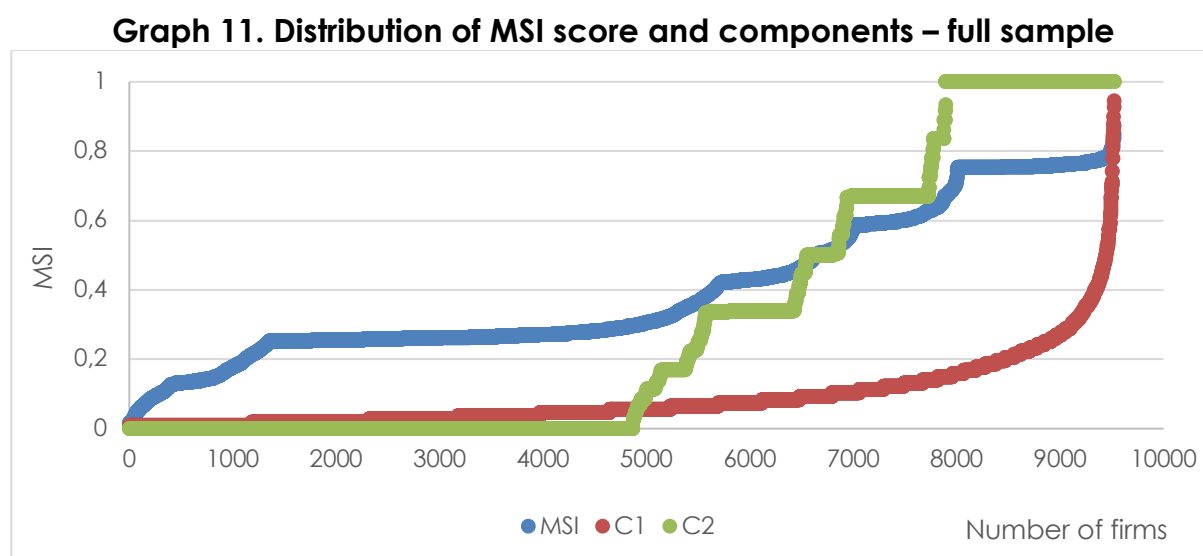
#### **4. Outcomes derived from the calculation of the Multipurpose Supplier Index**

Annex file 1 'MSI Components C1 and C2' shows the measurement of the MSI for all COVID suppliers with previous SECOP records with non-missing information regarding the goods and services provided to the Colombian State. Each table shows information about the number of contracts awarded for both COVID and pre-COVID samples, the comparison between varieties of goods and services between both periods, and the calculation of the components of the MSI according to the abovementioned methodology.

Graph 11 shows the ordered distribution of the full MSI score and both Component 1 (C1) and Component 2 (C2). The maximum value that the index takes for the measured sample is of 0,87, and 2.882 firms have an MSI above 0,5, indicating that 30% of firms measured in the full sample have high risk of corruption associated to supplier heterogeneity. This share increases to 38%

when analyzing only Direct Contracting procurement method (1.262 firms), and decreases to 26% (1.050 firms) if the sample is restricted only to Special Regime contracts.

It is also important to note that the stairs-shaped trend of Component 2 is given because there is a higher frequency of matches at the thresholds defined in Table 1. Additionally, the trend of Component 2 shows that nearly half of the full sample of firms have full matching of varieties between COVID and pre-COVID periods.



Source: Own elaboration, based on SECOP.

The following section will analyze the outcomes of the MSI from two different standpoints: an analysis of frequencies by items, and an analysis by procuring Entities focused on local governments.

#### **a. Analysis by firm, disaggregated by goods and services**

Tables 6 and 7 show the top ten segments of goods and services whose provision depends, on average, to multipurpose firms. It is worth noting that average MSI scores in the Direct Contracting sample tend to be higher than in the full sample.

Both tables show the total average value of the MSI for the firms currently providing each of the listed segment of items to the Colombian State, the number of companies providing that same segment of items with a MSI above 0,5, and the proportion of 'high risk' firms as a share of the total number of firms providing that segment of items to the State.

**Table 6. Top ten segments whose suppliers have on average MSI>0,5 (full sample)**

Segment	Average MSI by segment	Number of firms MSI>0,5	Number of firms	%
Mining, oil and gas services	0,65	8	10	80%
Rosin, rubber, foam, film and elastomer	0,62	7	7	100%
Machinery and supplies for mining and oil drilling	0,58	12	19	63%
Machinery and accessories for agriculture, fishing, forestry and fauna	0,55	16	27	59%
Components and supplies for structures, buildings, constructions and civil works	0,50	65	130	50%
Tools and general machinery	0,50	25	55	45%
Machinery and supplies for energy generation and distribution	0,49	22	42	52%
Lands, buildings, structures and roads	0,49	59	126	47%
Machinery and supplies for manufacturing and industrial processing	0,49	10	22	45%
Components, machinery and supplies for electric and illumination systems	0,48	35	85	41%

Source: Own elaboration, based on SECOP.

**Table 7. Top ten segments whose suppliers have on average a MSI>0,5 (Direct Contracting)**

Segment	Average MSI by segment	Number of firms MSI>0,5	Number of firms	%
Mining, oil and gas services	0,77	2	2	100%
Machinery, equipment and accessories for the industry of services	0,73	4	4	100%



Domestic devices, supplies and electronic products for consumption	0,71	4	4	100%
Furnitures, mobiliary and decoration	0,70	2	2	100%
Tools and general machinery	0,67	3	4	75%
Machinery and accessories for agriculture, fishing, forestry and fauna	0,65	6	7	86%
Food, drinks and tobacco	0,65	198	231	86%
Components and supplies for structures, buildings, constructions and civil works	0,63	15	19	79%
Equipment and supplies for defense, civil order, protection, vigilance and security	0,63	42	49	86%
Clothes, bags and personal care products	0,63	16	20	80%

Source: Own elaboration, based on SECOP.

From the comparison between these tables, a preliminary consideration is that none of the items - from the list of main items awarded during COVID-19 sanitary crisis in Table 4 - in risk of being supplied by a multipurpose firm. When analyzing only Direct Contracting modality, and comparing Table 7 and Graph 5, there is no coincidence of segments directly associated to the attention of COVID-19 pandemic at risk of being provided by multipurpose firms either.

## **4.2 An analysis of supplier heterogeneity by municipalities**

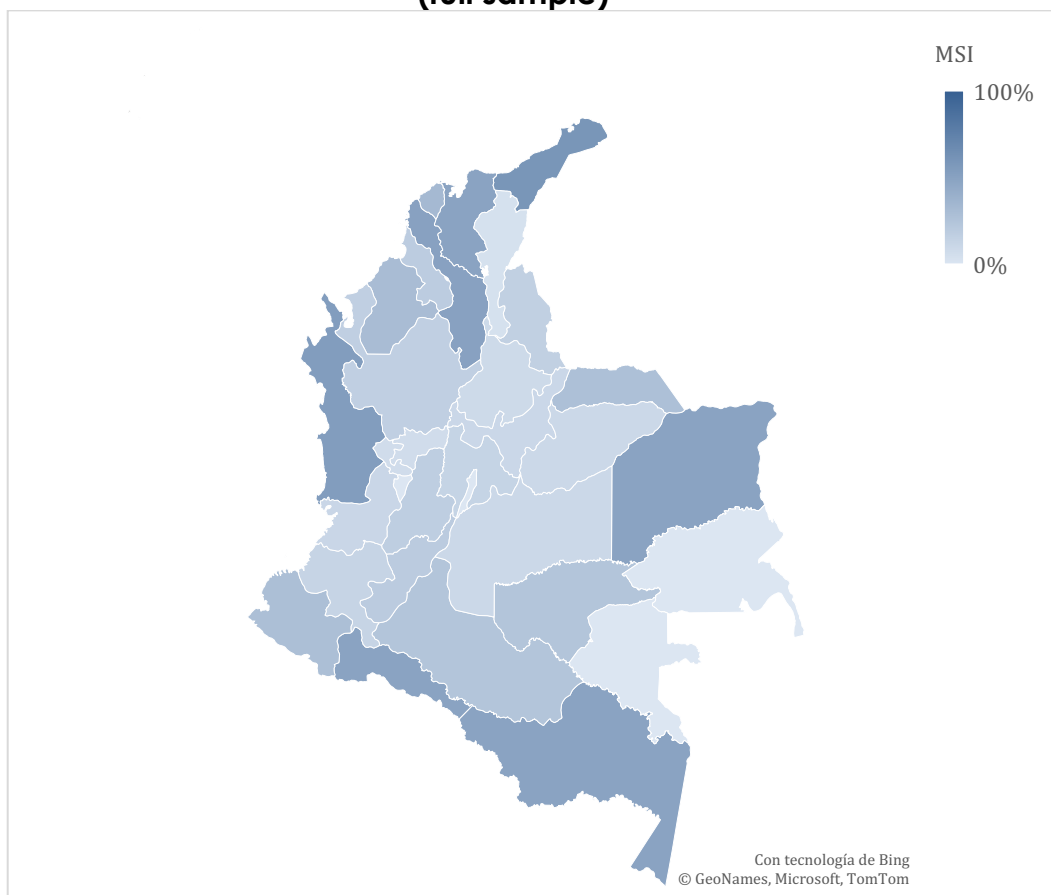
Table 8 shows the share of municipal governments by department whose suppliers, on average, had an MSI score above 0,5. The full sample analysis shows that nearly 20% of Colombian local governments are awarding contracts to firms that, on average, can be catalogued as multipurpose firms. In addition, local governments that are the most geographically distant from the capital, Bogota, have a higher probability of having contracts awarded to multipurpose firms. That is the case of municipalities located in regions such as San Andrés Islands, La Guajira, Chocó, Bolívar, Amazonas, Magdalena, Putumayo and Vichada (as shown in Graph 13), regions where at least half of their municipalities are holding contracts with suppliers that, on average, have an MSI above 0,5.

**Table 8. Percentage of municipalities whose suppliers' MSI>0,5**

Department	All procurement methods			Direct contracting			Special regime		
	Municipalities whose MSI>0,5	Buyer municipalities	%	Municipalities whose MSI>0,5	Buyer municipalities	%	Municipalities whose MSI>0,5	Buyer municipalities	%
San Andrés, Providencia Y Santa Catalina	1	1	100%	1	1	100%	0	0	0%
La Guajira	9	15	60%	13	14	93%	1	1	100%
Chocó	12	22	55%	19	19	100%	2	2	100%
Bolívar	22	43	51%	34	40	85%	2	3	67%
Amazonas	1	2	50%	1	2	50%	0	0	0%
Magdalena	14	28	50%	22	26	85%	3	3	100%
Putumayo	6	12	50%	11	12	92%	1	1	100%
Vichada	2	4	50%	2	4	50%	0	0	0%
Atlántico	7	21	33%	14	16	88%	3	3	100%
Córdoba	9	29	31%	20	29	69%	0	0	0%
Nariño	18	62	29%	34	60	57%	3	6	50%
Arauca	2	7	29%	1	6	17%	1	1	100%
Caquetá	4	16	25%	8	14	57%	4	6	67%
Guaviare	1	4	25%	1	4	25%	0	0	0%
Huila	7	35	20%	22	33	67%	0	0	0%
Sucre	5	26	19%	17	25	68%	4	5	80%
Tolima	8	44	18%	25	41	61%	0	2	0%
Antioquia	21	124	17%	62	120	52%	9	20	45%
Norte De Santander	6	37	16%	17	29	59%	4	4	100%
Cundinamarca	16	116	14%	67	104	64%	6	8	75%
Cauca	5	38	13%	23	33	70%	0	1	0%
Valle Del Cauca	5	43	12%	20	41	49%	1	4	25%
Boyacá	13	120	11%	59	110	54%	8	12	67%
Casanare	2	19	11%	10	17	59%	1	1	100%
Meta	3	29	10%	16	26	62%	1	4	25%
Santander	8	86	9%	37	84	44%	15	23	65%
Caldas	2	28	7%	14	25	56%	2	3	67%
Risaralda	1	14	7%	4	14	29%	1	1	100%
Cesar	1	25	4%	0	0	0%	0	0	0%
Distrito Capital	0	1	0%	0	0	0%	0	1	0%
Guainía	0	1	0%	1	1	100%	0	0	0%
Quindío	0	12	0%	4	11	36%	0	1	0%
Vaupés	0	3	0%	1	2	50%	0	0	0%

Source: Own elaboration, based on SECOP.

**Graph 12. Departments whose municipalities, on average, have an MSI>0,5 (full sample)**



Source: Own elaboration, based on SECOP.

However, once disaggregated the analysis by local governments by the procurement method used, the percentages by departments increase in both Direct Contracting and Special Regime samples. For instance, the suppliers of the contracts awarded by Direct Contracting procurement method by local governments have, on average, an even higher probability of having an MSI score above 0,5, as a share of the total number of municipalities with contracts awarded by Direct Contracting.

It is important to note that the smaller the population of a municipality, the likelihood that fewer companies will be able to supply the requested items by the municipality increases. This is a fact to consider when analyzing the potential existence of multipurpose firms in remote areas: since the access to these remote markets is geographically restricted, the limited number of firms operating in the area and nearby zones would supply as many items or activities as they can in order to give response to the needs of public institutions in the area. In this regard, Table 9 shows the top 20 municipalities that contract firms that, on average, their MSI score is above 0,5, considering all procurement methods. Table 10 shows the top 20 municipalities only considering those contracts awarded by Direct Contracting procurement method. As shown in both tables, the average MSI score of firms supplying items to these

municipalities is above 0,7, in which case geographic distance may not be the only variable to consider, but also variables such as the presence of Central Government, poverty rates, transportation connectivity, among others, may help explain the presence of multipurpose firms in those areas with a higher frequency than in other Colombian regions.

**Table 9. Top 20 municipalities whose suppliers have the highest MSI score (all procurement methods)**

Department	Local Mayor Office (Municipality)	MSI
Arauca	Tame	0,77
Boyaca	Boyaca	0,77
Nariño	El Charco	0,76
Cundinamarca	Tausa	0,76
Cauca	Timbiqui	0,76
Norte de Santander	Arboledas	0,76
Choco	Union Panamericana	0,76
Choco	Jurado	0,76
Cauca	Sucre	0,76
Cundinamarca	Paima	0,76
Cundinamarca	San Juan De Río seco	0,75
Choco	Rio Iro	0,75
Boyaca	Chiscas	0,75
Atlántico	Tubara	0,75
Magdalena	Zona Bananera	0,75
Huila	Rivera	0,75
Magdalena	Remolino	0,75
Atlántico	Piojo	0,75
Antioquia	Murindo	0,75
Putumayo	Mocoa	0,75

Source: Own elaboration, based on SECOP.

**Table 10. Top 20 municipalities whose suppliers have the highest MSI score (Direct Contracting)**

Department	Local Mayor Office (Municipality)	MSI
Boyacá	Cuitiva	0,79
Caquetá	Belén De Los Andaquies	0,78
Nariño	Ancuya	0,78
Sucre	Chalán	0,77
Cauca	Toribío	0,77
Putumayo	Puerto Caicedo	0,77
Chocó	Juradó	0,76

Norte De Santander	Chinacota	0,76
Santander	Aguada	0,76
Arauca	Tame	0,76
Magdalena	Cerro San Antonio	0,76
Nariño	El Charco	0,76
Santander	Guapota	0,76
Meta	Lejanías	0,76
Sucre	Sucre	0,76
Boyacá	Chiquiza	0,76
Boyacá	Úmbita	0,76
Chocó	Lloro	0,76
Cundinamarca	San Juan De Río seco	0,76
Huila	Altamira	0,76

Source: Own elaboration, based on SECOP.

## 5. Discussion

The award of public contracts through Direct Contracting procurement method under non-emergency circumstances is a widespread mechanism that Colombian public institutions have used to acquire items and professional services, even when Colombian regulations state that it should be used only under exceptional circumstances (Law 1150/2007, art. 2). However, Emergency Decree 440/2020 allowed to use Direct Contracting as a measure to cope with COVID-19 sanitary crisis. More specifically, emergency procurement is allowed under circumstances in which State institutions – regardless of their procurement regime - need the supply of goods or services or the execution of public works in the short term as long as these public purchases are aimed to prevent, restrain and mitigate COVID-19 emergency (Decree 440/2020, art. 7).

The allocation of public contracts to multipurpose firms may be motivated by several reasons. For instance, it may be the case that public institutions do not know the previous record or background of the chosen supplier. A second reason may be that there is a very limited number of potential supplier firms competing for contracts, which could be the case in remote areas. In that situation, these few firms would supply as many items or activities as they can as a market response to the needs of public institutions in the area. However, a third reason can be that the public official responsible of leading the adjudication of contracts exercises a discretionary favoritism in choosing a multipurpose supplier, which may be motivated by the preexistence of a personal bond, a bribe, exchange of favors, nepotism or even by threats. If bribery occurs, the discretionary allocation of contracts leads to private gain, configuring a corrupt transaction.

Although the analysis of red flags from a supplier approach does not account for the existence of these bonds, it does allow to detect which types of institutions award contracts to multipurpose suppliers. The previous analysis focused on municipalities, and it revealed that local governments which are geographically distant from Bogotá, with poor connectivity to the main urban centers and without a strong presence of Colombian Central Government, are more prone to award contracts to multipurpose firms, as showed in Tables 9 and 10.

On the other side, the analysis by items awarded to multipurpose firms shows that, when considering all procurement methods, only 22% (433 out of 1.914) of firms directly associated to the provision of medical equipment to attend COVID-19 emergency (Segment 42) were at risk of being a multipurpose firm<sup>12</sup>. However, it is noteworthy that Decree 440/2020 does not restrict the purchase of items through emergency procurement only to medical equipment, but it allows to purchase every sort of item that contributes to “prevent, restrain and mitigate” COVID-19 crisis. Six of the top ten segments have suppliers that on average have a high risk of being multipurpose when considering all procurement methods, while all top ten segments awarded using Direct Contracting are at risk of being provided by multipurpose firms. However, it should be noted that very few firms are providing these types of items during COVID-19 emergency, and they are unrelated to the direct attention of the sanitary crisis. In short, there is a higher probability that items that are not directly associated to the attention of COVID-19 emergency are being awarded to multipurpose firms than those items associated to medical products.

Overall, the allocation of public funds to ‘multipurpose’ firms leads to inefficiency in public spending: to award a contract to a firm that currently provides and has previously provided highly heterogeneous items to the State is a signal that the firm is not specialized in the provision of a specific kind of item to the State. Hence, the products that it may deliver to the public may not have the best value for money as the items that a specialized firm would be able to provide under the same conditions, leading to bad-quality delivery of goods and services to citizens. In terms of the provision of items awarded to firms with the highest probability of being multipurpose, this can be potentially concerning in a specialized sector such as Public Works and Construction (associated to Segments 22 ‘Machinery and accessories for construction and building’ and 30 ‘Components and supplies for structures, buildings, constructions and civil works’), which necessarily needs high-quality materials in order to deliver high-quality public works.

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<sup>12</sup> This information is available in the tables in Annex file 2 – MSI Component 2.

## **6. Conclusions, recommendations and further steps**

### **a. Conclusions**

- Transparency in public procurement allows to disclose a fundamental source of information for citizens to oversee the management of public funds. Equally, the implementation of Open Contracting Data Standard (OCDS) for public procurement in Colombia allows to use that information with endless possibilities of analysis. In this case study, public procurement data was useful to evaluate the attention of COVID-19 emergency by firms, using as background information their previous record as State suppliers.
- The use of Special Regimes to award public contracts in Colombian institutions increased after the enactment of Emergency Decree 440/2020. 51% of the contracts analyzed during COVID-19 sanitary crisis were awarded under these schemes, while 23% of the contracts were awarded by Direct Contracting procurement method under the traditional public procurement regime (Law 80/1993). In terms of transparency, it is a very concerning issue because each Special Regime has a different set of rules, meaning that an important share of Colombian public procurement cannot be accurately analyzed at an aggregated level, and the design and use of red flags can lead to misguided conclusions. An unfortunate consequence of it is that public procurement publicity efforts and OCDS implementation lose part of their power as oversight tools.
- The implications of the enactment of Emergency Decree 440/2020 in terms of the choice of the procurement method are not as strong as initially expected. 'Manifest Urgency' public procurement represents a share of 36% among all contracts awarded by Direct Contracting procurement method, which again, was only 23% of the total amount of contracts between March 20<sup>th</sup>, 2020 and May 31<sup>th</sup>, 2020. Furthermore, they only accounted for 7% of the total value of contracts awarded by Direct Contracting method. However, the information that allows to identify which contracts are motivated by 'Manifest Urgency' may be under-registered, because contracts awarded through Special Regimes may also respond to 'Manifest Urgency'.
- The highest frequency of contracts awarded after the enactment of Decree 440/2020 are aimed to provide items that, broadly speaking,



seek to alleviate COVID-19 sanitary crisis. As shown in the descriptive analysis, items related to healthcare, medical supplies, food and medicines are the most frequent, though they are not the contracts with the highest value. Furthermore, these types of items are going to be provided, in general, by firms with previous record on the provision of that same types of goods and services to the Colombian State.

- Nearly 30% of the total list of firms whose MSI was calculated, are 'high risk' firms, meaning that these are firms that, if awarded a contract, would have a higher probability to provide bad-quality goods and services to citizens. When analyzing which kind of public institutions are more prone to contract that type of firms, a disaggregated analysis by local governments allowed to infer that remote municipalities are more prone to award contracts to very heterogeneous firms, whose MSI is above 0,75.

#### **b. Recommendations**

- According to Colombian public procurement regulations, Special Regime is not exactly defined as a procurement method but rather as a set of particular rules that frames public procurement by institution. In other words, it means that several Colombian institutions exempted to contract under the Colombian Public Procurement Standard Regime have their own set of rules associated to public procurement, but they use any of the procurement methods to award contracts under a Special Regime framework. In this regard, a suggestion to Colombia Compra Eficiente is to allow for the registry of whether or not a contractual process will be awarded under a Special Regime framework or under the Standard Regime in SECOP, as a variable independent from the procurement method. In consequence, the already existent variable 'procurement method' should allow the choice of the award method regardless of the contracting regime. From there, Open Contracting Partnership would be able to adapt an OCDS extension in order to record that disaggregated information.
- The excessive use of Special Regimes for public procurement in Colombia poses serious concerns to the effectiveness of transparency initiatives and disclosures of public procurement information. Some of the information of the contracts awarded through these regimes remains as a 'black box' of information that must be analyzed at an individual rather than a collective level, complicating oversight



mechanisms and also opening windows of opportunity to opacity and corruption. Additionally, those Entities who award contracts using Special Regimes are not enforced to use SECOP II, which is a more detailed registry than SECOP I, worsening transparency issues. A recommendation to Colombia Compra Eficiente is to design and enforce regulations aimed to control the use of Special Regimes for public procurement, including the disclosure of motivations under which a public institution would be allowed to use a Special Contracting Regime.

- The External Memo 20 from August 27<sup>th</sup>, 2015 (emitted by Colombia Compra Eficiente) announces that State firms are not enforced to register their contractual processes in SECOP. In terms of this report, the implication is that State firms are not included in none of the samples analyzed. But a broader concern emerges from the lack of transparency on public procurement for these firms, regarding the difficulty to exert oversight over the share of public funds that finance them. In this regard, a recommendation to Colombia Compra Eficiente would be to consider a mechanism to centralize all public procurement information from State firms, it could be on SECOP platform or other means that allow to compile this information in open data and following OCDS format.
- The existence of multipurpose suppliers poses a threat to the efficiency on the delivery of public services to citizens, and also opens a window of opportunity for the misuse of public resources for private gain. In this regard, public information about the mission, main economic activity, directive board and background of State suppliers would be a high-value asset for public Entities when faced to the choice of suppliers in the process of awarding contracts under procurement methods that does not require exhaustive evaluation processes. As the official record of firms in Colombia (RUES) is private, this information could be recorded by Colombia Compra Eficiente in the Suppliers Registry (publicly available) enabled in SECOP II as a prerequisite to be a supplier with Colombian State.
- Public procurement is funded with public resources. As such, all citizens have the right to know who are the agents that interrelate with public institutions in the transaction emerged from the provision of a good or service, and which is their background. This case study, as an initiative to exert oversight over the management of public resources, faced serious restrictions on the access to information related to the main economic

activity of supplier firms, originally recorded in the Colombian Firms Registry (RUES by its initials in Spanish). This argument reinforces the recommendation mentioned above: the urgent need for a public registry with information about the firms who are suppliers with the Colombian State. This registry must include suppliers of contracts awarded by Direct Contracting procurement method and Special Regimes.

### **c. Further steps**

- The Multipurpose Supplier Index should have a third component (C3), which consists on the matching between the items and services provided by suppliers before and after the enactment of Emergency Decree 440/2020 and the main economic activity of supplier firms. It would be evaluated using a similar weighting scheme as used in Component 2, which also requires to create an equivalence table between CIIU Standard and UNSPSC standard. In addition, the overall MSI score should consider the size of the firm as a weighting factor. The information available in RUES registry (which is managed by the Colombian Confederation of Chambers of Commerce - Confecamaras) is fundamental for the development of these two further adjustments. Once the MSI is measured with these two improvements, it will be possible to design a dashboard that shows graphically the distance between the items awarded by each firm in SECOP, which gives a graphic idea to the user how heterogeneous a firm is.
- The Multipurpose Supplier Index also allowed to measure the heterogeneity of purposes of NGOs registered as State suppliers. Surprisingly, nearly 50% of them had an MSI score above 0,5, representing a red flag for a potential source of corruption in public procurement during COVID-19 emergency. The Anticorruption Institute will set a comprehensive research for further understand this phenomenon at the light of the enactment of Decree Law 092/2017.

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