**Why Germany needs an open corporate register and open contracting**

*Using transparency data on government procurement, enriched and integrated with other open PSI sources, and processed and analysed using cutting-edge data science methods, TheyBuyForYou will shed light on the opportunities and challenges faced by direct stakeholders in taking more informed and effective decisions. Read this blog post, originally published on OpenCorporates, to find out why opening up government procurement data matters.*

A large portion of the German budget is spent through contracts with companies – a three-digit billion euro sum that accounts for more than 30% of annual government spending. It’s difficult to determine who benefits and whether the decision-makers in politics are acting in the citizens’ interests. We Germans have a nice word to describe the cosy relationship between companies and politics: *Vetternwirtschaft, nepotism or literally “a cousin economy”*. It thrives in the dark. On the much-loved weekly crime show Tatort (Germany’s answer to Law & Order) it might be portrayed with exchanging a briefcase in a dimly-lit hotel bar.
Neither the details on companies nor the awarding process for public contracts are transparent. The German transparency law of 2017 was supposed to solve the problem for company data, but it did not, thanks in part to the corporate lobby. Contract details are hard to find, the information is limited. Although information on high-value contracts must be made public thanks to EU regulations, there is scarcely anything on small and medium-sized contracts, which account for the majority. On the official portal of the federal government bund.de, you’d be lucky if the final contract amount is visible.

It would be too easy to rely on the results of the Corruption Perceptions Index. Germany doesn’t come first but it sits comfortably among the global elite. Corruption? Not here. At least that’s what we believe. It can’t yet be verified in practice.

At least for the “Who” of contracts there’s now a solution. Thanks to OpenCorporates, the Open Knowledge Foundation Germany and Transparency Germany, the platform OffeneRegister.de now provides access to company data. It will hopefully also be an incentive to take this up at the federal level.

Regarding the “What”, Germany lags far behind. Countries like Colombia, Paraguay, and Ukraine are opening up the entire contracting process so everyone can see everything. Finland, France, the UK, and Portugal are leading the charge in Europe. The B20, the private sector voice of the G20, recommends publishing timely information on contracts for infrastructure projects, from planning through to implementation. This is also best practice for the OECD and the EU.

However, publishing the data is only the beginning. To make such open data usable, some modernization is also needed at the technical level; in particular, a uniform global identification system for companies and for every procurement process so that information can be easily followed, to give a full picture of purchases from start to finish or a company’s track record.

Ultimately, this is not just about detecting fraudulent practices and corruption.

It is also, and more importantly, a question of how to improve politics, in the spirit of open government, with citizens at the centre. This means social programmes that develop solutions that align with citizens’ needs, and economic policy that rewards innovative companies. And whether the federal government, regional states, and municipalities actually get the best price and quality. Is the offer for new police cars from BMW actually cheaper than what the city of Munich is currently paying? Who can check whether the proposal of a company is actually as good as claimed?

Civil society and the media need this data to inform decision-making, not block it.

OffeneRegister.de has shown that it can be done. Open contracting should be next.
So far, so near

All too often, citizens have a hard time seeing how a European project can do anything to improve their daily lives. Europe is far away. Collaboration between different countries is a school of research, learning, development and innovation, which enriches the work of participants but often seems difficult to apply in practice.

This is why Zaragoza City Council was clear that its participation in a European R&D project like TheyBuyForYou would have a strong pedagogical component. We want to share experiences that improve our management and we want people to see that all the work invested facilitates the understanding of public information in our project objectives, in this case relating to transparency in procurement processes and the management of public expenses.

Facilitating auditing from the public and free competition and equal opportunities.

In this sense, Zaragoza City Council's commitment to action in the TheyBuyForYou project is:

With reusers of information.
With citizens.
With information managers/supervisors.

The action revolves around three areas within this three-way dimension:

Development of an API based on the common criteria of the project to favour interoperability.

The development of a new financial information portal that responds to the needs of citizens, with new services for the visualisation of financial information and procurement, favouring the improvement of traceability in public procurement processes or the establishment of indicators that are used to normalise the information published on the portals of the authorities and therefore favour interoperability and transparency.

Providing tools that help with the transparent and effective management of public procurement processes for the institution itself.

In line with the planned schedule, Zaragoza City Council is working on the standardisation of Zaragoza's Data API with the Core API defined in the plan, and visualisation services are being developed both for contracts and invoices and their dashboards with their respective indicators. Functionalities needed to create management that facilitates both the elaboration of specifications and the internal detection of anomalies in the procurement process alongside the
management/supervisor services will soon begin.

The more information, the more transparency and, consequently, the more democracy. And this can't be far away. Not from Europe, nor from our cities.
0055650-18 - SUMINISTRO DE LIBRERÍA DE CINTAS LTO

Tipo de contrato: Suministros
Entidad Contratante: Ayuntamiento de Zaragoza
Organismo Contratante: CONSEJERÍA DE PARTICIPACIÓN, TRANSPARENCIA Y GOBIERNO ABIERTO
Servicio Gestor: SERVICIO DE REDES Y SISTEMAS
Año: 2018
Importe: 61.983,47 €
Objeto: LIBRERÍA DE CINTAS LTO
Duración: 906 días
CPV:
  - Soportes de almacenamiento

Contratos Relacionados

Licitación
- 01/03/2018 Anuncio de licitación
- 01/03/2018 Pliego de cláusulas administrativas particulares específicas
- 01/03/2018 Pliego tipo
- 01/03/2018 Pliego técnico
- 11/04/2018 Acta de la Mesa de Contratación de fecha 27 de marzo de 2018
- 26/04/2018 Acta de la Mesa de Contratación de fecha 19 de abril de 2018
- 07/05/2018 Acta Mesa de Contratación de 30 de mayo de 2018
- 04/07/2018 Anuncio de adjudicación
- 22/08/2018 Anuncio de formalización

Adjudicación - Formalización
- 26/06/2018-01/08/2018
SEPPAS – Slovenian Ministry of Public Administration business case for the THEYBUYFORYOU project

What does SEPPAS stand for and what is the business case about?

SEPPAS stands for Slovenian Electronic Public Procurement Analysis Services and is centred around Slovenian public procurement historical data. The main focus is on anti-corruption, facilitated by searching for anomalies in the data in order to detect patterns.

Quick overview of the Slovenian economic environment

Slovenia has been a member of the EU since 2007 and has been in a strong position to present very encouraging economic indicators over the last years. Annual GDP growth is hovering around 3,5 - 5% and was nominally around 43 billion EUR in 2017.
What is the general idea and approach to your business case?

Slovenia has a useful collection of historical public procurement data that is being analysed within the scope of the project. Data is systematic and structured, so it is suitable for analysis and trying out new approaches to detect anomalies.

Slovenian Public Procurement has given out over 4bn EUR worth of contracts in 2017 and is therefore a very important
part of spending is Slovenia. Public procurement must be very transparent and there are a whole number of rules and regulations in place to ensure all the proceedings are fair and transparent.

Different approaches can be utilized in anomalies detection. One approach would be to feed all the data into the data analysis engine and run anomalies detections algorithms. The vital component in this approach is the need to have a very experienced public procurement professional to interpret the results that the algorithms produce in order to determine the usefulness of the results.

The second approach would be to set predetermined markers and then check for these results from the algorithms. What we propose is a hybrid of these two approaches where we set several indicators that are checked but we still allow the algorithm to run the data and display »red flags«. A skilled public procurement professional will still be needed to assess the importance of results and present the results to the interested public.

There are different stages of public procurement and each of these stages carry some type of risk. There is a risk in the phase of drafting the tender documentation where participation conditions can be set too rigorously and thus eliminate competition.

At the point when tenders are published, other forms of risk exist, perhaps favouring one tenderer before others.

Of course there are also significant risks in the post procurement process, that is when the relevant contracts have already been signed. One such instance would be the number of addendums and annexes to the original contract that would possibly skew the process itself, either prolonging the execution or inflating the costs.

**What do you hope to gain from these findings?**

We hope these findings will help us improve the public procurement process in Slovenia and make it more transparent. The more transparent the process is, the more bidders we envision to come forward and the more bidders there are, the more economically sound the whole procurement process is.
A recent study from the World Bank has found that an increased number of bidders yields significant savings in public procurement (even in the range of 20% more savings). Considering the value of public procurement in Slovenia in 2017 of more than 4bn EUR, this could potentially mean savings of up to 800m EUR.

We also envision linking our public procurement data with other public databases, thus improving transparency even further.

*Image 2: Savings potential regarding bidder participation in the public procurement processes*
Interpreting anomaly detection

The purpose of anomaly detection is usually the identification of rare events or unexpected bursts in activity, which raise suspicions as they differ significantly from the rest of the data. As far as public spending is concerned, there is a high probability that anomalous items attest to some kind of problem such as structural defect, illicit management, abuse of functions, unfair competition, clientelism or some form of direct corruption.

In order to assess the efficiency of our anomaly detection methods, we would need further support of domain experts. However, we have already found some interesting patterns in public spending, which we present below.

The first example is the analysis of all Slovenian public spending data with the Time Periods Deviations method, which has detected some interesting patterns in public spending changes.
The horizontal axis represents time. The time window starts in annual steps in January 2010. The vertical axis represents the number of detected “cases” at the start or end of the transaction period.

Some outliers clearly coincide with important dates and events:
orange verticals: every January (and the beginning of the budget year),
blue verticals: local elections,
green verticals: parliamentary elections.
Next to that there are some other extremes visible:
around the first blue line Slovenia was experiencing a political and economic crisis; that was the period when governments were rapidly changing,
extremes around 2016, when Slovenia was experiencing a migrant crisis.

The second example is the analysis of all Slovenian public spending data with the Local Extremes Detection method, which has also detected some interesting patterns in public spending changes.
Again, the horizontal axis represents time. The window starts in January 2010. The vertical axis represents a number of detected “cases”; in this instance it is the number of anomalous transaction extremes.

There are three interesting observations:

The graph has a global minimum around the summer of 2014, when Slovenia finally overcame the economic crisis. This
can be explained as a consequence of government savings programmes.

Extremes in the second graph roughly coincide with the first graph, which is expected as both methods follow similar approaches.

Specific extremes are associated with certain events: October 2010 (big floods in Slovenia in the previous month), November 2011 (national elections), October 2012 (big floods), November 2014 (local elections).

We have not (yet) tied external events to all identified extremes. However, we have noticed a large jump pattern, followed by a minor jump.