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Overcoming Corruption and War – Lessons from Ukraine's ProZorro Procurement System

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Overcoming Corruption and War

Lessons from Ukraine's ProZorro procurement system.

By Steven Kelman and Christopher Yukins

After the 2014 uprising against widespread corruption under former Ukrainian President Victor Yanukovich, a group of civic activists and data experts decided to overhaul government procurement. Their efforts produced an open-source e-procurement system, ProZorro (“transparency” in Ukrainian), and a community of citizens and government buyers, Dozorro (“watchdog” in Ukrainian), that analyzes contracting data, flags high-risk deals and irregularities, and reports them to government authorities. Created with the help of the European Bank for Reconstruction and Development and the U.S. Agency for International Development, ProZorro has helped Ukraine save almost \$6 billion in public funds since October 2017, according to the December 2021 U.S. Strategy on Countering Corruption.

A Lesson in Resiliency

Resilient in the chaos of war, ProZorro offers many lessons. It offers technical insights useful for any procurement system. For example, in many ways it is more transparent, and better integrated with commercial marketplaces, than the U.S. system.¹ ProZorro also shows how important transparency can be to the strength and integrity of a procurement system. Finally, the system’s sheer endurance – it continues to flourish in the face of a violent attack from Russia – teaches volumes about the patriotism and dedication

of those procurement officials behind the ProZorro system.²

ProZorro was born of many Ukrainians’ intense frustration with a closed and corrupt system of procurement.³ Launched as a private effort and then adopted by the Ukrainian government,⁴ the system was built on principles of impartial decision-making and transparency – key ingredients to any post-Soviet reform.⁵ Despite Ukraine’s broader slide back into corruption after its 2014 revolution,⁶ ProZorro has persisted as a highly successful tool against corruption,⁷ as a means of broadening businesses’ participation in government procurement,⁸ and as a reminder of transparency’s importance in reinforcing confidence in government.⁹

Core Tenets

As the ProZorro website explains, in the philosophy and principles section,¹⁰ the system is built around three core tenets that seek to meld transparency, efficiency, and procurement outcomes:

1. *A hybrid public-private electronic open-source system.* The ProZorro website explains that this means “that while all transactions take place in the central public database, any number of certified private marketplaces can work with the end users ... to upload tender documentation and to support the tendering procedure.” ProZorro’s transparent certification

requirements and open-source approach allow the “privately owned commercial marketplaces to compete with each other,” which in turn motivates them “to provide ever better service for both the government contracting entities and the potential suppliers.”

2. *“Everyone can see everything.”* All solicitations and announcements are available online immediately, without restriction. After bidding is complete, the ProZorro website notes, “absolutely all data is disclosed and available online, including the list of all participants, their bids, the information about the auction process, decisions of the tender committee, and all qualification documents.” All of this information “is also publicly accessible through the ProZorro online business analytics (BI) module in aggregated and individual formats,” at www.bi.prozorro.org. This allows members of the public (civil society) and other stakeholders to monitor developments without registration.
3. *The “Golden Partnership Triangle.”* The ProZorro website explains that the system is founded on a unique collaboration among business, government, and civil society, with each playing a special part. This “ensures independence and creates a system of mutual checks and balances,” and “aims to promote positive change while maintaining a high level of trust among the principal stakeholders on a sustainable, long-term basis.”

System Architecture

Transparency International played a key role in developing the ProZorro system’s architecture and explained in a 2017 report how the system uniquely blends private and public systems. (See Figure 1.)

Vendors access the system through approved commercial marketplaces, which in turn link to ProZorro’s government-controlled database through an application programming interface (API). Government purchasers enter the system through the same commercial marketplaces. The central database stores all the data of the government procurement system and contains an “auction module” for conducting online reverse auctions.

A separate business intelligence module also accesses the ProZorro database through the API to retrieve, analyze, and provide open access to all procurement data.¹¹

ProZorro’s architecture may help explain why other efforts to link government procurement to commercial marketplaces have proved less successful. For example, while the U.S. General Services Administration (GSA) now allows individual government purchasers to make micro-purchases (generally up to \$10,000) through selected online commercial platforms such as Amazon,¹² those purchases largely stand apart from the broader federal procurement system. The bridge between the commercial marketplaces (such as Amazon) and the government is not an API but instead (as a practical matter) the individual government official who makes a micro-purchase.

As government purchases made through platforms such as Amazon are largely nontransparent, the individual buyers using purchase cards on the online platforms often are closely monitored by their agencies and require extensive training.¹³ This renders the system unwieldy and unattractive to prospective purchasers. It may explain why the GSA “commercial platforms” initiative has seen far lower sales than expected¹⁴ and suggests that ProZorro’s transparency and integration offer a healthier approach.

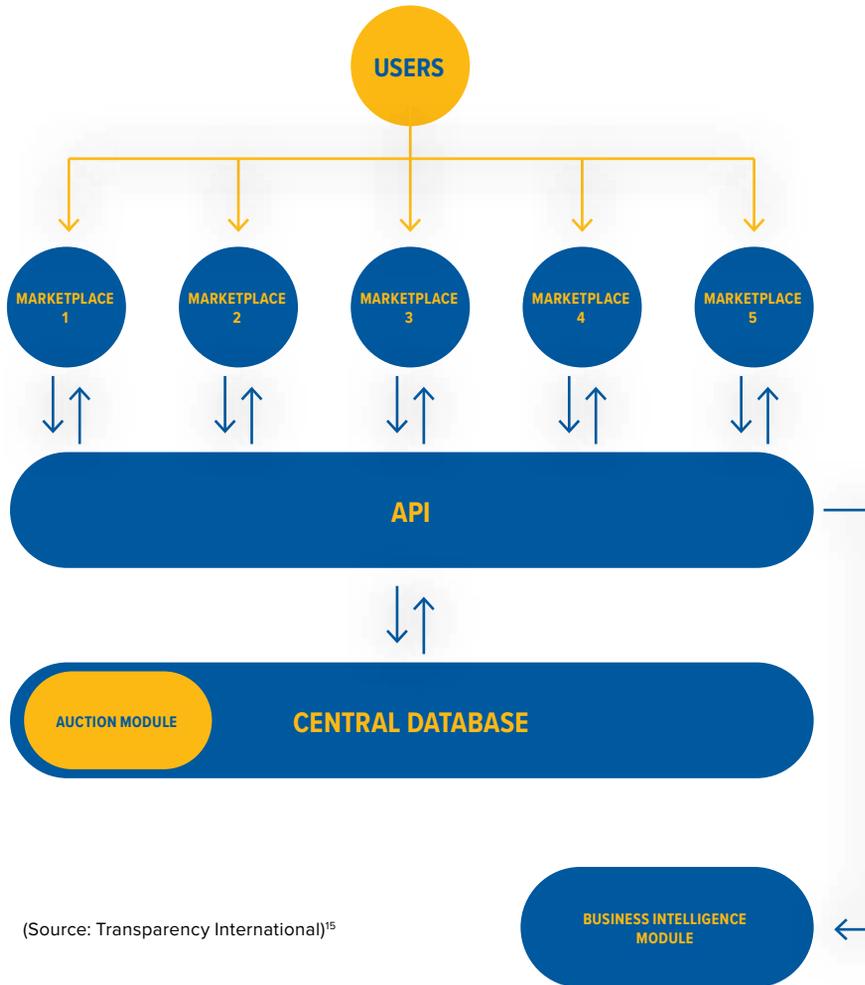
Power of Transparency

ProZorro’s transparency means that civil society in Ukraine, including the media, can regularly monitor and assess government procurements. In a recent procurement for government uniforms, for example, a media source drawing information from ProZorro noted that Port Yuzhny (on the Black Sea near Odesa) had bought uniforms from the same supplier that allegedly had delivered low-quality uniforms to the Ukrainian military.¹⁶ In another investigation involving purchases of uniforms, records of sales on ProZorro served as a common point of reference in public reports.¹⁷

Ukrainian media use ProZorro to monitor bidding by Russian oligarchs in Ukrainian government procurement.¹⁸ Information on vendors’ bid challenges alleging procurement irregularities is published regularly on ProZorro,¹⁹ and tens of thousands of bidder complaints have been handled through the system.²⁰ Before the war, the Ukrainian press used ProZorro data to show that state broadcaster

FIGURE 1. Architecture of the ProZorro System

This chart illustrates how the architecture of the ProZorro system uniquely blends private and public systems.



Rada was spending half its budget on content from a company with ties to President Zelensky.²¹

As the war began, ProZorro’s records of telecommunications purchases by public agencies helped the Ukrainian press assess what appeared to be Russian attacks on Ukraine’s satellite feeds.²²

ProZorro is, in sum, a cornerstone to healthy democracy in Ukraine.

By all accounts, ProZorro has reinforced the Ukrainian government’s legitimacy,²³ saved

the government billions in reduced procurement costs,²⁴ and made it easier for Ukraine to attract foreign aid.²⁵ ProZorro has served as a model for transparency in Ukrainian military procurement²⁶ and as an example for other countries around the world.²⁷

ProZorro also has persevered despite the war. According to *UkrRudProm*, a Ukrainian-based news source for industry, ProZorro continues to run successfully. ProZorro has hosted thousands of land sales by the government during the war.²⁸ It

also serves as a platform for auctions of government assets²⁹ and for purchases of everything from medical services to garbage bags to hand tools.³⁰ And ProZorro serves as an information hub with unique insights into the Ukrainian business sector’s health in a nation wracked by the Russian invasion.³¹

ProZorro plays an important role in Ukraine’s wartime procurement, as the government uses it to publicize purchases to ensure transparency and fair pricing. It does this even though (for security reasons) detailed information on the purchases will not be released until after the war concludes and martial law ends in Ukraine.

Through ProZorro, the Ukrainian government promises to make “prompt disclosure of important public control data on goods and prices” in order to “minimize the risks by installing a safeguard against inflated prices for goods and other manipulations,” according to Ukraine’s Minister of Infrastructure Oleksandr Kubrakov. “At the same time,” Kubrakov notes, “such sensitive information as the list of suppliers and their contact details should remain closed in the current circumstances,” because a “full-scale war has radically changed the challenges facing government procurement.”³²

Hope for the Future

ProZorro allows the Ukrainian government to address the shortages brought by war. Like many governments that struggled to find new suppliers during the pandemic,³³ the Ukrainian government now needs to source essential civilian goods rapidly from suppliers located across the

world. The government has opened ProZorro+ as a marketplace “where companies that are ready to supply ... necessary goods, publish their offers, and state and local authorities publish their own needs.”³⁴

Taken in all its pieces, the ProZorro system offers insights into Ukraine’s remarkable potential. ProZorro was born of hope for a better future.

To succeed, the ProZorro system is truly transparent and built on an architecture that integrates government procurement and commercial innovation. The system was conceived, and is run, by many clever and courageous individuals dedicated to a Ukraine that is fair, open, and transparent – a nation devoted to the interests of its people. The system reflects those principles, which are fragile and precious.

We can only hope that Ukraine and its people – and their extraordinary ProZorro system – will persevere to see peaceful, better days ahead. **CM**

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FIGURE 2. ProZorro + is a platform to meet the urgent needs of the state and restore Ukrainian business during the war



(Source: <https://prozorro.gov.ua/>)

ENDNOTES

- 1 Kelman, Steven, *Procurement Isn't Always Just About Procurement – A Tale from Ukraine*, Federal Computer Week, Mar. 1, 2022, <https://fcw.com/comment/2022/03/procurement-isnt-always-just-about-procurement-tale-ukraine/362610/>. The U.S. government’s support for the ProZorro system is noted in the *U.S. Strategy on Countering Corruption*, at 28 (Dec. 2021), <https://www.whitehouse.gov/wp-content/uploads/2021/12/United-States-Strategy-on-Countering-Corruption.pdf>.
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- 6 D’Anieri, Andrew, *More Backsliding in Kiev*, Atlantic Council, July 27, 2021, <https://www.atlanticcouncil.org/blogs/ukrainealert/more-backsliding-in-kyiv/>.
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The ProZorro case demonstrates that systemic transformation depends on the ability to overcome problems of uncertainty and legitimacy. Unlike a traditional “partial reform” in a neopatrimonial system, where a rent-seeking coalition designs an institution with predictable returns for “winners,” key state and non-state actors forced together in a broad developmental coalition suffer from high uncertainty over potential costs and misuses by other groups. Hence, launched reforms are not seen as legitimate and are subsequently blocked or “hijacked.” ProZorro overcame this hurdle by significantly reducing uncertainty over potential costs early on. Launched as a private initiative, it demonstrated its political, economic, and electoral benefits to key veto players. Simultaneously, civil society rallied behind the new institution, which was built on similar values, while ProZorro’s functioning openness helped to gain trust from users (suppliers and procurers). As a result, at the onset of its functioning the new system was legitimized among major political, economic, and societal actors.
Ryhor Nizhnikau, *supra* note 5, at 198.
- 8 Medzhybovska, N.S., *Micro Business Participation in Government Procurement: ProZorro Experience*, Natsional’nyi Hirnychi

- Universytet.Naukovi Visnyk (6): 155-162 (2019) (study showed that “private entrepreneurs are active participants of the ProZorro public procurement system, and the average number of tenders where private entrepreneurs took part has significantly increased”). Throughout this piece, citations and quotations from Russian-and Ukrainian-language documents were produced by machine translation.
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 - 11 Transparency International, *supra* note 4, at 5-6.
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