

# PROZORRO.SALE REFORM AIMED AT ERADICATING CORRUPTION IN PUBLIC SALES VIA TRANSPARENT E-AUCTION PLATFORM

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МІНІСТЕРСТВО  
ЕКОНОМІЧНОГО РОЗВИТКУ  
І ТОРГІВЛІ УКРАЇНИ



**Done with the same team and technology that won 2016  
world procurement awards**

Backed by *Transparency International Ukraine*



# HISTORY

## GOVERNMENTS REGULATE, CONTROL, OWN, AND SELL THOUSANDS OF SMALL AND MEDIUM SIZED ITEMS (<\$100m)

- REAL ESTATE
- LAND
- USED CARS
- COMPUTERS & FURNITURE
- CONFISCATED/BANKRUPT PROPERTY
- SCRAP METALS
- LICENCES (BROADBAND, NATURAL RESOURCES)
- NON PERFORMING LOANS (NPL)
- LEASE CONTRACTS

...THEY DON'T NEED OR ABUSE

FOR EXAMPLE

UA NPL, up to

**22% of GDP**

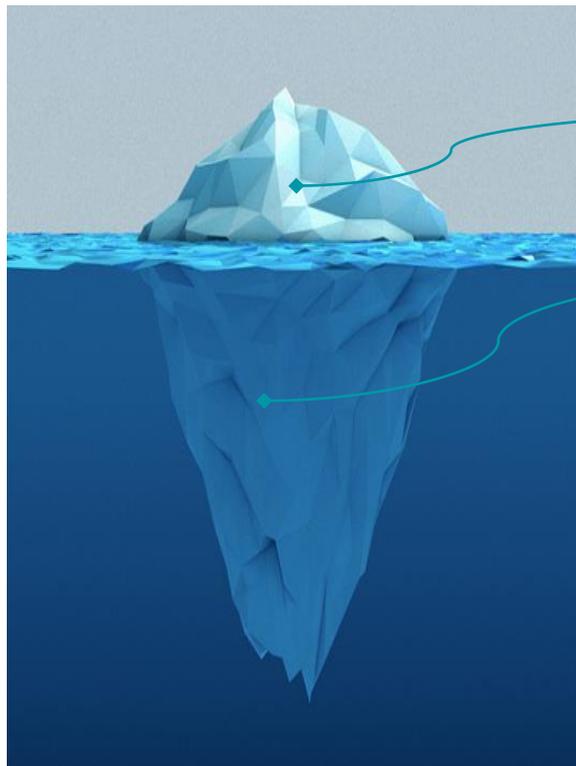
Non-core assets of UA State Owned Enterprises

**\$0.6bn**

Area leased out by State Property Fund

**4mn sq.m**

# CORRUPTION IN ASSET SALES



▶ **SELLING AT A DECREASED PRICE**

▶ **NOT SELLING AT ALL**

▼  
**EXAMPLES**

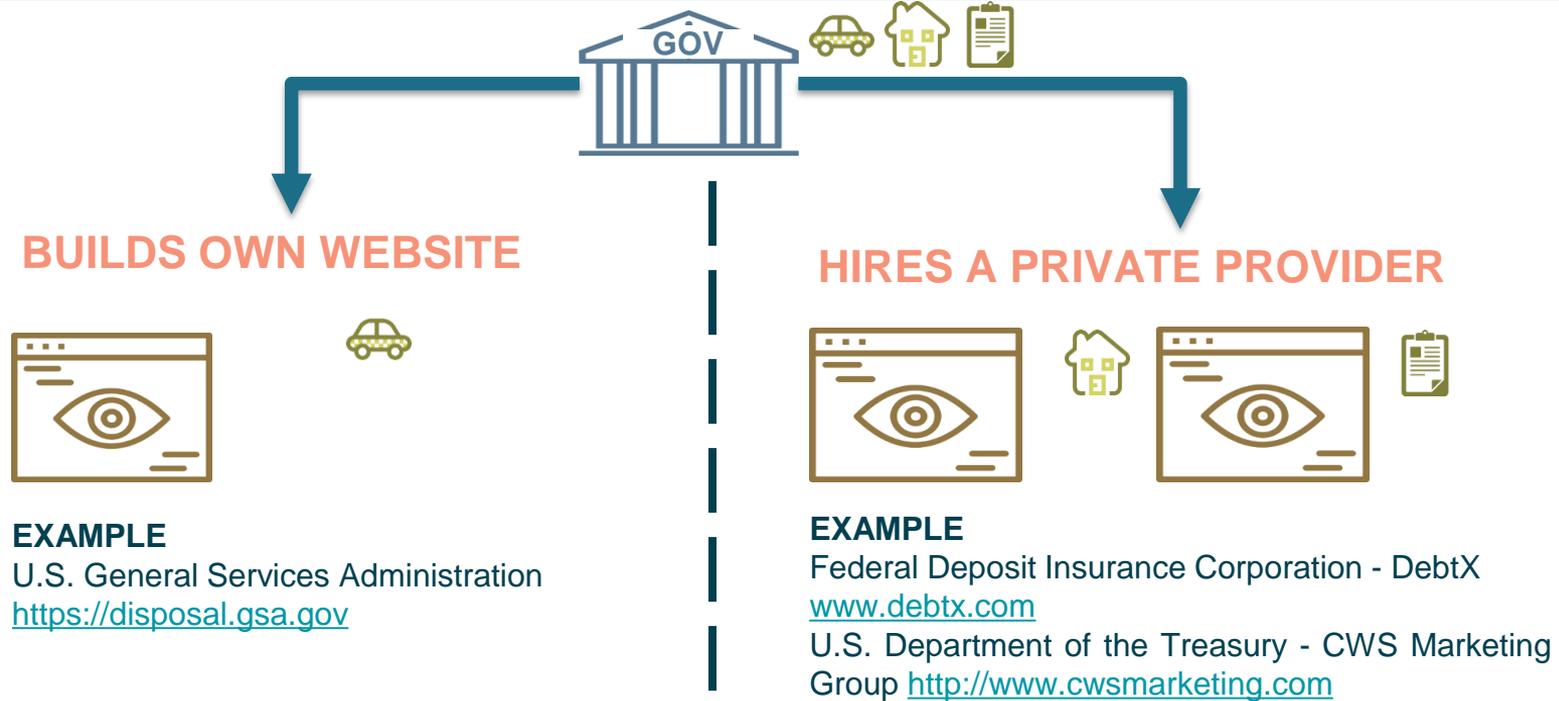
## **MISUSE AND ABUSE**

(a secret lease for cash of a publicly owned car, or even a factory, personal use of a car, etc.)

## **NOT PAYING BACK THE LOAN**

(e.g. when oligarchs stop paying back the loans to state banks: not selling them = no money)

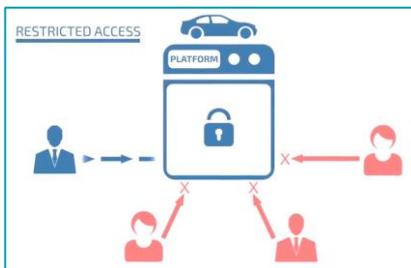
# HOW DO GOVS SOLVE THAT? SOME TRY ONLINE AUCTIONS



EACH PROVIDER IS IN FACT A MONOPOLY FOR SALES OF A PARTICULAR ITEM / ASSET TYPE / GOV. AGENCY

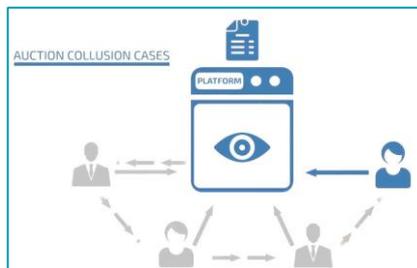
# THERE ARE SEVERAL PROBLEMS WITH THAT

## RESTRICTED ACCESS



Where there is only one such operator it may refuse to register bidders for an auction for spurious reasons

## COLLUSION



A single operator knows who will come up for an auction and may sell this information making it possible to corrupt the process

## DECREASED COMPETITION

Assets are here But buyers are here



amazon

Alibaba Group

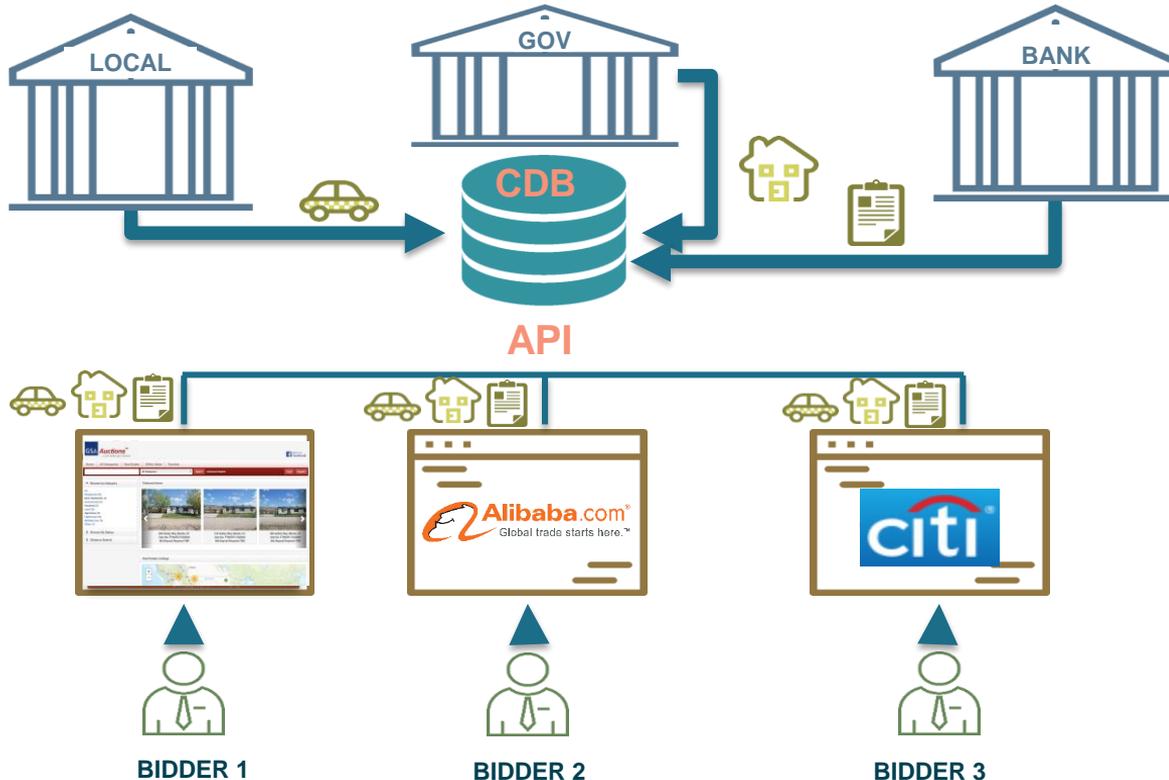
Businesswise thousands of government items are in the government portal, but all the buyers are with the nation's biggest b2b e-platforms like Alibaba or Amazon

## INTRICATE MONITORING



It is hard for general public to monitor results on various websites

# HOW DOES PROZORRO.SALE SOLVE THAT? THROUGH INNOVATIVE TWO TIER STRUCTURE



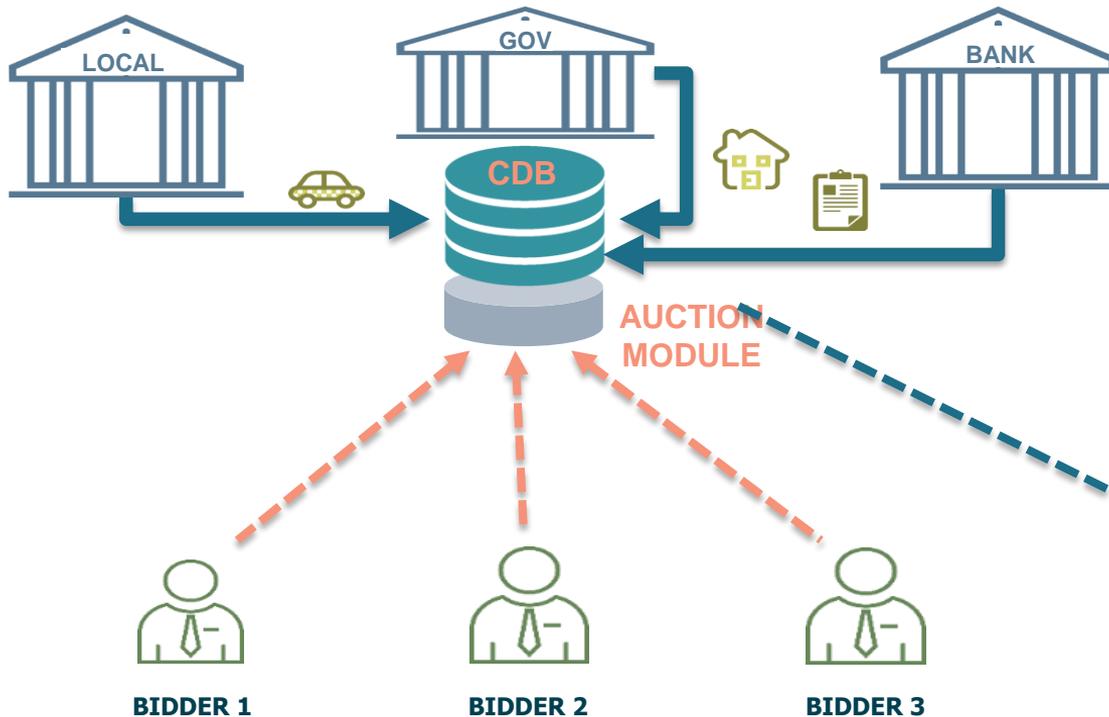
A state owned central database (CDB) connected to private e-platforms through a secure API

In order to sell something the government just enters the description of an asset for sale into the database

The information gets instantly disseminated to all e-platforms connected to it

Consumers can see the lots on all the websites and place initial bids via them

# INNOVATION & INTERGRITY: SINGLE AUCTION MODULE FOR MULTIPLE PLATFORMS



The central database also houses a real time auction module meaning that all the bidders from different platforms compete in one place, increasing the prices

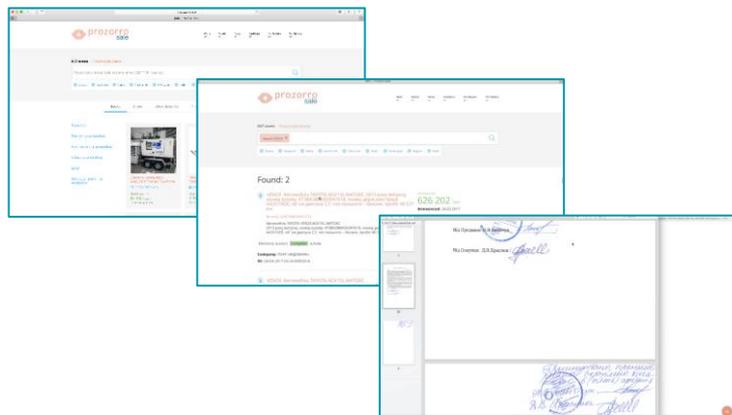
After the auction ALL the data is disclosed and published as open data through a public API

So, everybody sees everything



# PUBLIC PORTAL & BUSINESS INTELLIGENCE MODULE

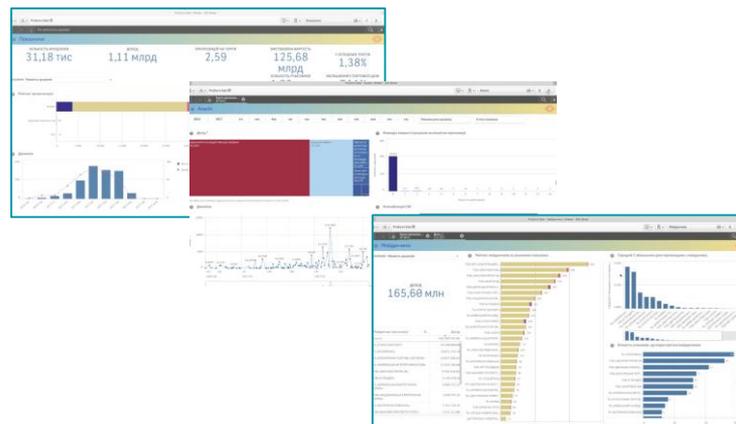
## PUBLIC PORTAL



We also have a public non-commercial portal with google-like search at <https://prozorro.sale/en> where anyone could check auctions

Within 3 clicks users could look up the successful auction with bidder names, contracts or all the information disclosed

## PUBLIC BUSINESS INTELLIGENCE MODULE



We also have an interactive state of the art public business intelligence module available for everyone at <http://bi.prozorro.sale> showing statistics for tens of thousands of auctions

This increases public trust



# PARTNERS

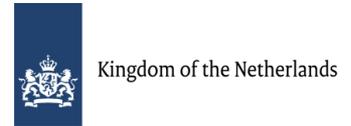
## EBRD

NPL sales in several European countries (e.g. Greece, Cyprus) EBRD will recommend using ProZorro.Sale within the “Vienna” initiative

## KPMG

KPMG is integrating its deal room [www.kpmgdealroom.com](http://www.kpmgdealroom.com) with ProZorro.Sale in December 2017

## DONORS





## IMPLEMENTATION: SWIFT UKRAINE SUCCESS



**FROM ZERO TO PRODUCTION IN 3 MONTHS**



**US\$32bn OF ASSETS AVAILABLE RIGHT NOW**



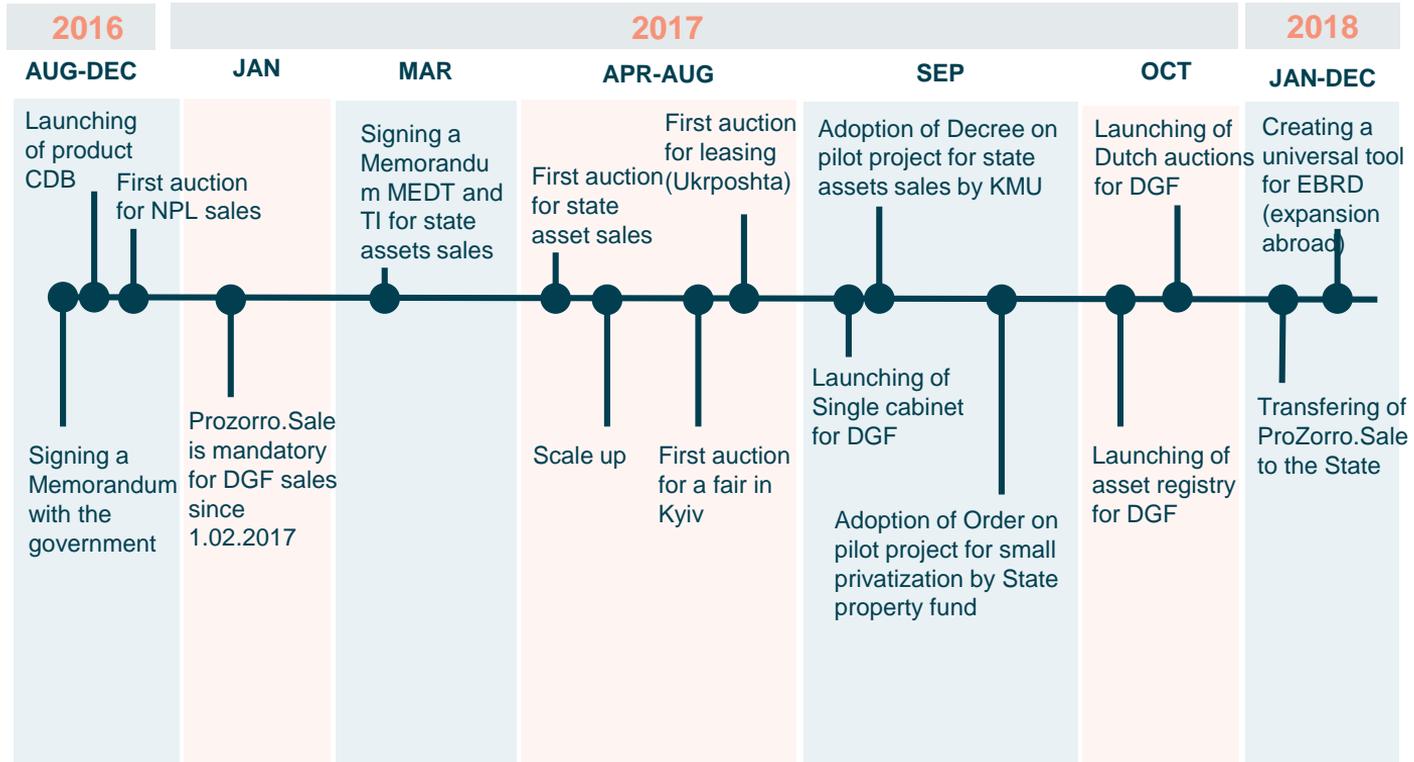
**50 E-PLATFORMS CONNECTED**

(incl. Ukraine's biggest b2b platform and biggest bank)



**US\$300m ALREADY SOLD**

# IMPLEMENTATION: PROGRESS



# DEPOSIT GUARANTEE FUND OF UKRAINE CASE STUDY

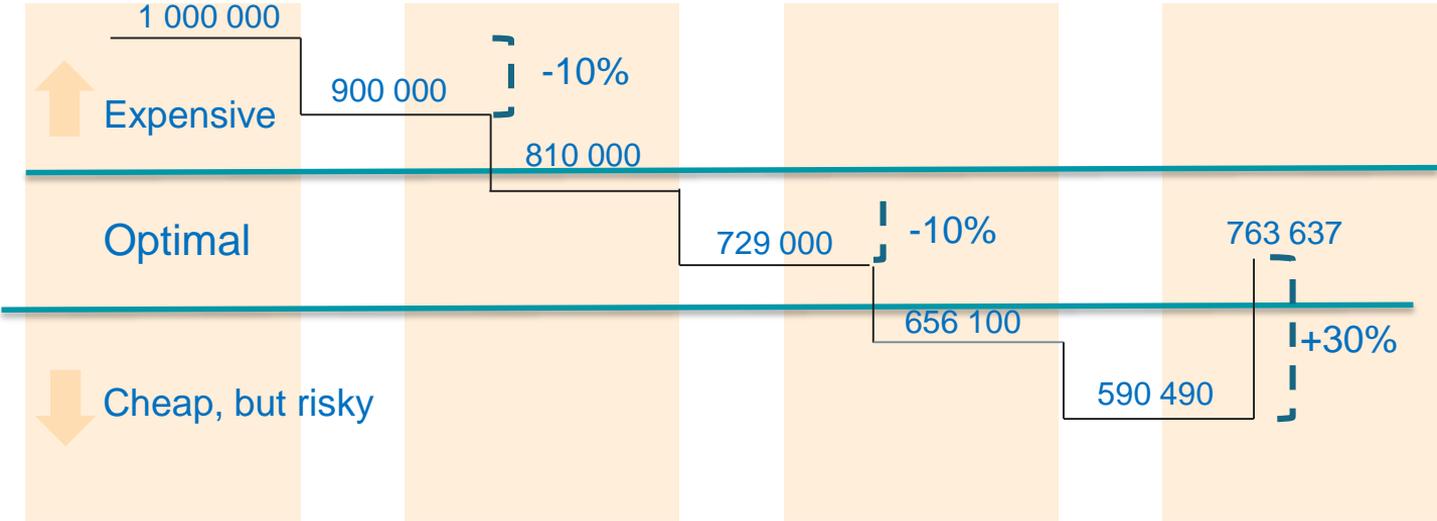
**MAX PRICE INCREASE DURING AN AUCTION: 23x VS 4x**

**13m2017 to 13m2016 SALES INCREASE BY 77%**

DEPOSIT GUARANTEE FUND CUMULATIVE SALES, UAHm



# WHAT WAS THE PROBLEM?



## HOW TO OPTIMIZE AUCTION DESIGN?



KSE WHITE PAPER

ROGER MAYERSON DISCUSSION

NEW AUCTION DESIGN IMPLEMENTATION



# SOLUTION: HYBRID DUTCH AUCTION RESULTS

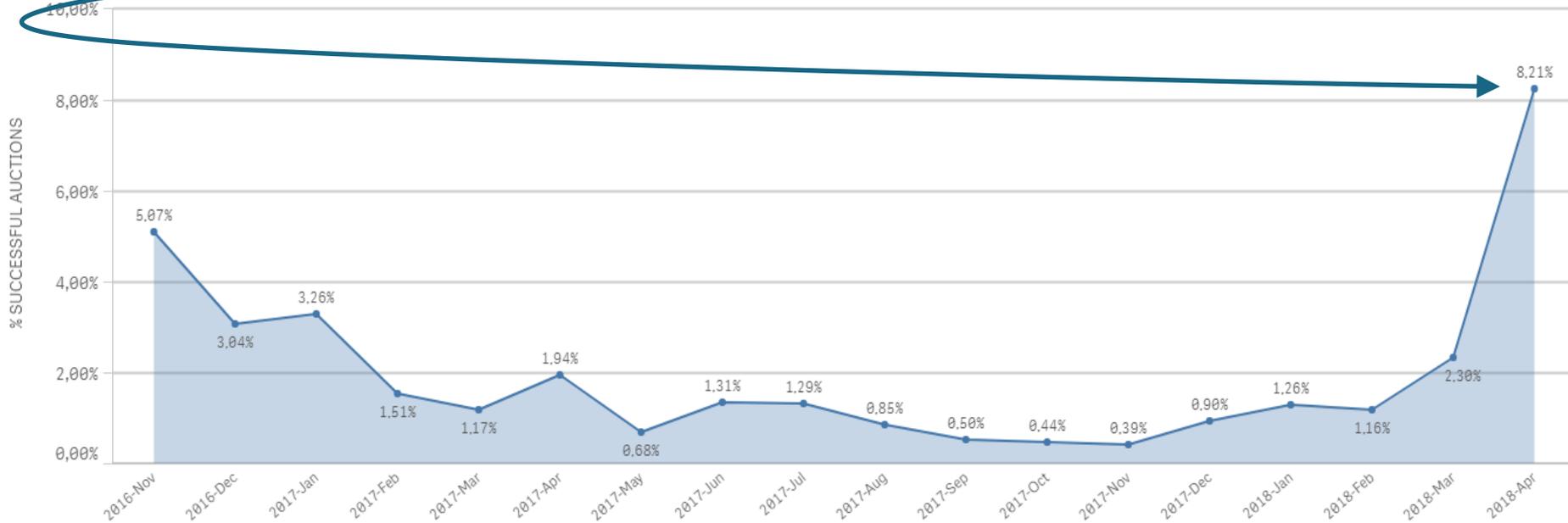
## DESCENDING CLOCK

10:00	EVERY 5 MINS THE PRICE DECREASES BY 1%	100 UAH
15:50	CLOCK STOPS	31 UAH
16:00	SEALED BIDS	31+ UAH
16:15	SEALED BIDS DISCLOSED	39 UAH
16:17 -16:30	BEST BID FOR WHOEVER STOPPED THE CLOCK	40 UAH

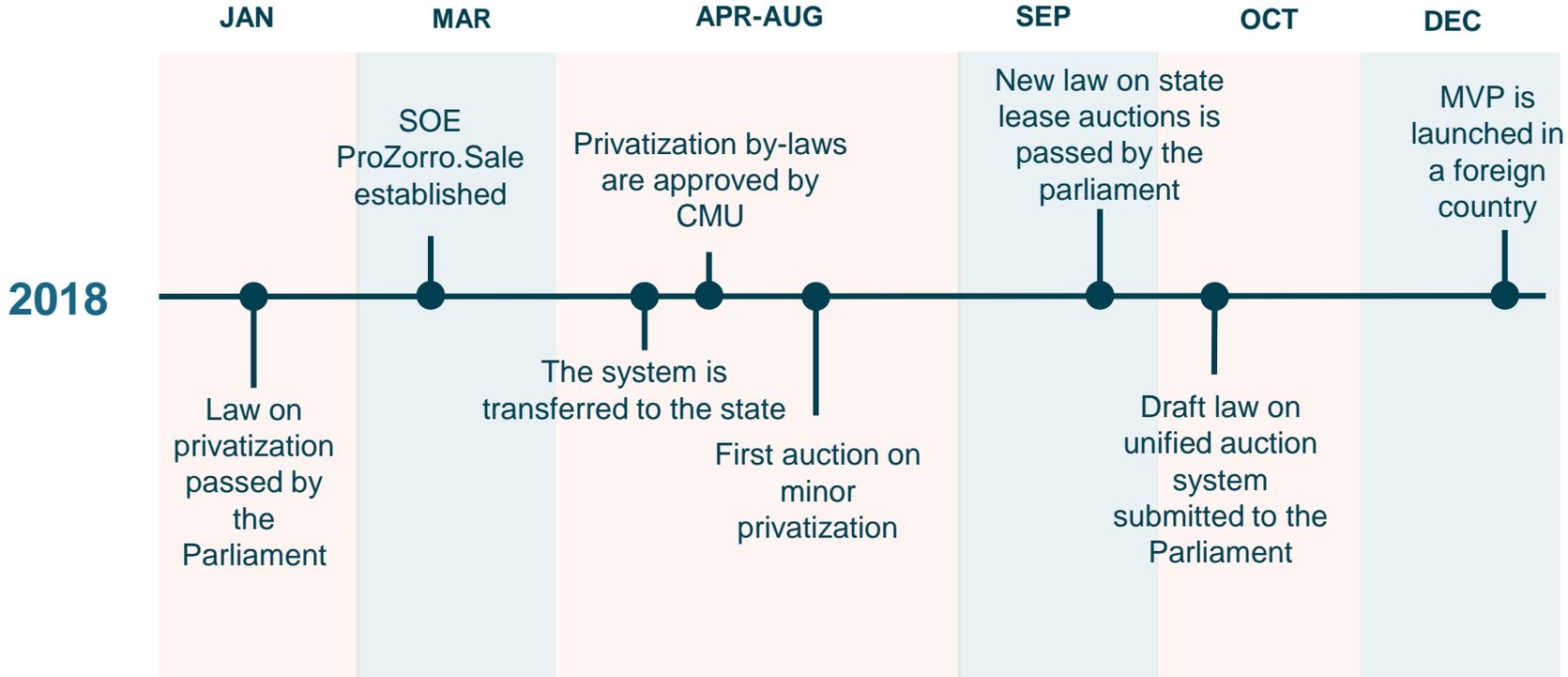
# PRELIMINARY RESULTS

**US\$20m SOLD**

**8.2% SUCCESSFUL AUCTIONS VS 1.9%**



# IMPLEMENTATION: NEXT STEPS



# LEASE AUCTIONS CASE STUDY

EVERY SECOND AUCTION AVERAGE PRICE INCREASE: 77%

5 320 <sup>i</sup> ГРН

ПЕРЕЙТИ НА АУКЦІОН



UKRPOSHTA IVANO-FRANKIVSK AUCTION:

STARTING PRICE UAH 5k

LESSEE BID UAH 35k

Фізична особа-підприємець Пуйда Світлана  
Іванівна

15 017  
ГРН з ПДВ

35 500  
ГРН з ПДВ

ESTIMATED MARKET SIZE: UAH 3bn+

# POTENTIAL MARKETS: CHANGES IN PROGRESS

**UKRAINIAN RAILWAYS: ASSETS AND RAILCAR AUCTIONS**

**LAND LEASE AND SALES AUCTIONS: UAH 270bn**

**ASSETS OF STATE FISCAL SERVICE: UAH 1bn**

**TIMBER AUCTIONS: UAH 7bn**

**BANKRUPTCY: UAH 3bn**



# AWARDS AND RECOGNITION



Win in the competition of anti-  
corruption start-ups

CitiT4IChallenge



Anticorruption award from C5 Accelerate and USA  
Institute of Peace

“The Shield in the Cloud  
Innovation Challenge”

# THANK YOU!

PROZORRO.SALE  
FACEBOOK.COM/PROZORRO.  
SALE  
BI.PROZORRO.SALE



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