

WIKI TECHNOLOGY APPLIED IN ANTI-CORRUPTION: FIGHTING FRAUD IN GOVERNMENT CONSTRUCTION CONTRACTS

EXECUTIVE SUMMARY (ABSTRACT)

Imagine if it was very easy for anyone to find out how much their government paid to construct the local hospitals or schools and compare this information with all the other governments on the planet. This kind of information is usually already available to the public – it is just not so easy to obtain or compare it with other administrations.

It is known that one of the most effective ways to fight corruption is publicity. Whenever acts of corruption are exposed, there is pressure for them to end. This business plan proposes building a website that uses data collected by volunteers from around the planet regarding construction contracts. In addition, governments themselves may choose to take part in the project and provide the necessary data. Either way, as long as the information is made available on the website, the result will be prevention of corruption, compliance with the law and improved efficiency of government spending.

This daunting task would have been impossible in the past, but with the Internet it can be done. Online collaboration and interaction is a reality. The success of websites such as Youtube, Facebook, My Space, Twitter and Wikipedia leaves no doubt about that.

The same wiki technology made famous by Wikipedia can be applied to develop the proposed website. If there is a big difference between how much cities not far from each other paid, for instance, to build similar bridges, something is most certainly wrong. It might be corruption or bad management. By making the public aware of that price difference, an investigation will follow and the truth will be discovered.

Even though the website will start only with construction contracts, it has the potential to be used in many other business sectors that require taxpayers' money.

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“Some men see things as they are and ask ‘Why?’ Others dream things that never were and ask ‘Why not?’ ” (George Bernard Shaw)

1. INTRODUCTION

Wikipedia's philosophy from day one has been summarized by its founder Jimmy Wales in one sentence: "Imagine a world in which every single person on the planet is given free access to the sum of all human knowledge".¹

Likewise, the author of this business plan has wondered for quite some time: what if people could easily compare how much governments spend to build things or pay for supplies and services? That can be achieved by creating a website using the same wiki technology made famous by Wikipedia.

In many countries the principle of publicity is a legal requirement for a great deal of government spending. That is even part of their so-called transparency policy. But, if government expenses are publicized, why are there so many cases of corruption involving government contracts?

To publicize means "to make information about something generally available". In that sense, in many of these corruption cases the administration indeed publicized the contracts (or it should have) but very few citizens actually had access to them. However, with today's technology it is possible to make that kind of information widely available.

By taking his own experience as a practitioner of administrative law in Brazil, the author introduces the concept of a website created to publicize government construction contracts in order to make all the information about them truly available to the society. That will have the effect of preventing corruption and ensuring respect for the law.

2. THE PROBLEM: NUMEROUS CASES OF FRAUD IN BID CONTRACTS IN THE CONSTRUCTION BUSINESS

Brazil underwent more than half a century of populist and military government until 1985, when the military regime peacefully transferred power to civilian rulers. Since then it has been perfecting its democracy, but corruption still remains quite a burden in the country's development process.

One of the most common ways to steal from the government in Brazil is by committing fraud in bid contracts. Politicians in the city, state and national levels often need the monetary support of companies to get elected. Actually, without some kind of donation from the wealthiest businesses, few politicians would succeed in their political careers.

Of course, once a company sponsors a politician, it expects something in return. By offering to help their sponsors get contracts from the government, many politicians pay back the support received during the elections. Next election, more companies will support the same (or other) politicians and the corruption cycle starts all over again.

The prices charged by these politician-friendly companies are almost always much more than the average market price. The kind of contract varies greatly and includes everything from food supplied to schools, to the construction of hospitals, bridges and roads. As a note,

¹ TED – Ideas worth spreading, "*Talks Jimmy Wales: How a ragtag band created Wikipedia*", http://www.ted.com/index.php/talks/jimmy_wales_on_the_birth_of_wikipedia.html, Accessed on April 29th, 2009

because of the amount of money involved and the political gain it brings to the administration, the construction business is the preferred mechanism used to commit fraud.

As a rule, in Brazil all contracts concerning construction, services and purchases of the Union, States, Federal District and municipalities **must be done primarily by bid contracts** or fit within the exceptions allowed by the Federal Law n° 8.666/1993. Therefore, one must consider what this law says in order to fully understand the corruption phenomenon involving bid contracts in general and, for the purpose of this business plan, in the construction industry.

Occasionally, the corruption process does not involve only a politician and his/her sponsor, but many public servants as well. For instance, in a kind of bid contract allowed by the Federal Law n° 8.666/1993, only certain companies are invited to participate in the bid. For that to happen, when the administration wants to hire a company to construct or reform something, the object of the bid process must be under R\$150,000.00.

When the intention is to commit fraud, the administration only invites the same group of companies to offer a bid. In these cases, since the government will mostly like choose the best price, the participants take turns in winning the bids. For instance, if there are five companies involved, four will bid very high values for the proposed object of the contract (building a bridge, reforming a school etc) and the fifth will offer to provide the same service for a little less – but still much more than what could and should have been proposed.

In the end the price proposed by the “winner” is very close to the legal limit established (like R\$149,800.00) – otherwise the public bid process would have to be different as determined by law, with more participants in a much more public process. But what happens is that when the “winner” starts to fulfill its obligations it uses some excuse to ask for an amendment in the contract, which simply means asking for more money, and these amendments are then granted by the administration. At the end of the contract, it is clear that the total amount spent on the bridge is much more than the initial value proposed by the bid winner. Often, all companies invited to participate are owned indirectly by the same individuals but registered as belonging to other people.

Another tactic explores the possibility of a bid contract waiver. Actually, the waiver is very useful for the administration to hire companies or services in many situations, such as when there is an emergency caused by flooding or in matters involving national defense. However, the bid waiver is often used to favor certain companies – “coincidentally” the same ones that are used to sponsor politicians in their campaigns. No bidding process means no competition and no competition equals a higher price.

It would be possible to describe many other strategies used to commit fraud in bid contracts in all matters related to the construction business in Brazil, but instead one must focus on the solution to such a problem. Since this kind of problem is common in many other countries, the best solution is one that can be applied virtually everywhere – and that is what this business plan is all about.

3. THE SOLUTION: PREVENTING CORRUPTION AND ENSURING COMPLIANCE BY USING WIKI TECHNOLOGY

It is known that one of the most effective ways to fight corruption is **publicity**. Whenever acts of corruption are exposed to society there is pressure for them to end. That is why there

is increasing pressure for **transparency** when it comes to all things related to government – it is taxpayers’ money after all.

Based on this premise, this business plan focuses on making all the information regarding bid contracts in governments **available** to society through **one** website.

All bid contracts in Brazil are already supposed to have all the information about them made public. According to article 37 of the Brazilian Federal Constitution, “the direct or indirect public administration of any of the powers of the Union, the States, the Federal District and the municipalities, as well as their foundations, shall obey the **principles of lawfulness, impersonality, morality, publicity, efficiency** and also the following:”².

Naturally, the constitution is the most important law where the principle of publicity is assured, but there are plenty of references to it in Brazilian ordinary law. One of them is made in article 16 of the bid contract law (Federal Law n° 8.666/1993):

*“Art. 16. It will be given **publicity**, monthly, in an **official agency for communication or in a notice board of wide public access**, the list of all purchases done by the direct or indirect public administration, in a way that all the goods are clearly identified, as well as their unitary price, their quantity, the name of the seller and the total value of the transaction, being allowed to put in the same category divided in items the purchases made with bid contract waivers;”³. (Without highlights in the original).*

So, according to the law, pretty much all the information regarding government purchases has to be publicized. However, this law, even though relatively new, was written according to the past and it does not make effective use of today’s technology. Yes, all the details about the contracts have to be made public, but **who actually reads the information provided in the way it is shown today?**

In the majority of cases, this important information is made available in the Official Journal (*Diário Oficial*) of the national or state government. That is what the abovementioned law called “*official agency for communication*”. In reality almost **nobody** reads this kind of paper unless there is some specific piece of information one is looking for, and in that case they go specifically to those pages that contain it.

Legally, there is also the option of publishing it in a “*notice board of wide public access*”. These notice boards are usually in much hidden walls within public buildings. Many times there is only one copy of the document containing information about bid contracts on these boards. Again, nobody reads it.

Actually, to be fair, some companies from the same sector (such as construction) check them regularly – after all they contain their competitor’s contracts –, but even if they think there is

² Original in Portuguese: “Art. 37. A administração pública direta e indireta de qualquer dos Poderes da União, dos Estados, do Distrito Federal e dos Municípios obedecerá aos princípios de legalidade, impessoalidade, moralidade, publicidade e eficiência e, também, ao seguinte:”

³ Original in Portuguese: “Art. 16. Será dada publicidade, mensalmente, em órgão de divulgação oficial ou em quadro de avisos de amplo acesso público, à relação de todas as compras feitas pela Administração Direta ou Indireta, de maneira a clarificar a identificação do bem comprado, seu preço unitário, a quantidade adquirida, o nome do vendedor e o valor total da operação, podendo ser aglutinadas por itens as compras feitas com dispensa e inexigibilidade de licitação.”

something wrong, there is little they can do about it. It is expensive to sue the government and they also fear that by exposing some wrongdoings of the administration their future opportunities to get any contract will be seriously jeopardized.

The idea of transparency itself is not new. Even the idea of using technology to ensure transparency is not new. In the United States of America many states have been (**separately**) creating transparency websites. There is an interesting report about it written regarding the USA experience by the federation of state Public Interest Research Groups (PIRGs), *in verbis*:

“The ability to see how government uses the public purse is fundamental to democracy. Budget transparency checks corruption, bolsters public confidence in government, and promotes fiscal responsibility.

In the private sector, Internet search technology has revolutionized the accessibility and transparency of information. We take for granted the ability to track deliveries online, to check cell phone minutes and compare real estate on the Web, even to summon – at the click of a mouse – satellite and street-level views of any address. But until recently, when it came to tracking government expenditures online, we were left in the dark.

State governments across the country are changing that. A growing number of states are using powerful Internet search technology to make budget transparency more accessible than ever before. Legislation and executive orders around the country are lifting the electronic veil on where tax dollars go. At least 19 states currently mandate that citizens be able to access a searchable online database of government expenditures. These states have come to define “Transparency 2.0” – a new standard of comprehensive, one-stop, one-click budget accountability and accessibility.”⁴ (not highlighted in the original).

The initiative of the North-American states deserves recognition and congratulations. However, those states should not be “competing” with each other to see which one builds the most effective transparency websites. It should be quite the contrary! They must unite to come up with the best standard for a unique website in which the government spending of all states could be compared very easily.

Of course the states themselves are very different from each other, but simple things can indeed be compared. How much did one state pay for the notebooks their children use? Whenever the price difference is too big from one city to another there is reason to investigate. It might be a corruption case or just an issue of bad management. In either case, society wins when the truth is uncovered.

Thus, what is innovative in this business plan is not the idea of transparency, nor the use of technology to achieve that. Instead, it is the integration of all information about different governments worldwide in one website. At first, the data for this website will be provided by volunteers and later the governments themselves will end up providing it on a regular basis. Yes, this is possible.

⁴ U.S.PIRG, “*Transparency.gov 2.0: Using The Internet For Budget Transparency To Increase Accountability, Efficiency And Taxpayer Confidence (Oregon)*”, <http://www.uspirg.org/home/reports/report-archives/campaign-finance-reform/campaign-finance-reform/transparency.gov-2.0-using-the-internet-for-budget-transparency-to-increase-accountability-efficiency-and-taxpayer-confidence-oregon> , Accessed on April 29th, 2009

This daunting task would have been impossible in the past, but with the Internet it can be done. **Online collaboration and interaction is a reality.** The success of websites such as Youtube, Facebook, My Space, Twitter and Wikipedia leaves no doubt about that.

Facebook and Google are known for providing their websites in many languages. What is striking is that many of the translations are done by volunteers around the world. They simply collaborate to make the website available in their own language for the pleasure of doing it. That is only one example of collaborative work.

Another famous example is Wikipedia which, according to its slogan, is the “the free encyclopedia that anyone can edit”. Despite facing some criticism, it is undeniable that Wikipedia has become a major source of information to users globally. The name Wikipedia comes from the fact that it uses a technology called Wiki, defined as follows:⁵

*“A **wiki** is a collection of Web pages designed to enable anyone with access to contribute or modify content, using a simplified markup language.^{[1][2]} Wikis are often used to create collaborative websites and to power community websites. The collaborative encyclopedia Wikipedia is one of the best-known wikis.^[2] Wikis are used in business to provide intranet and knowledge management systems. Ward Cunningham, the developer of the first wiki software, WikiWikiWeb, originally described it as “the simplest online database that could possibly work.”^[3] “Wiki” (/wi:ki:/) is a Hawaiian word for “fast”.^[4] “Wiki” can be expanded as “What I Know Is,” but this is a backronym.^[5]”*

Wiki technology can be used to build the first website dedicated to fighting corruption using collaborative work from volunteers all over the world. Initially, the focus of this website will be government contracts in the construction business. Once it is working, it will be easy to compare, for instance, how much different cities spent to build schools. At a later stage, it can evolve into a tool to compare how different administrations use the taxpayers’ money, thus benefiting the entire international community.

4.THE WEBSITE ITSELF: MAIN FEATURES

The final design of the website should be decided later on by a panel of experts, but **its management will resemble very much that of Wikipedia.** There are, however, essential features for it to work that are important to make clear at this stage.

Simplicity and **internationality** are essential. Practically all successful collaborative websites have very simple design and are available in numerous languages. Some examples are Google, Twitter, Wikipedia and Facebook.

Its **editing model** should be much like that used by Wikipedia.⁶ If the information provided by the volunteers is not true and it does not get corrected by other volunteers, then the administration responsible (maybe a city or a state) will be “compelled” to reestablish the truth by providing the correct data.

⁵ Wikipedia, “Wiki”, <http://en.wikipedia.org/wiki/Wiki>, Access on April 27th, 2009. Note: the Wikipedia references, represented by numbers, were kept in case the reader wants to access the original source directly from this document. The same happens whenever Wikipedia is quoted in this paper.

⁶ More details at http://en.wikipedia.org/wiki/Wikipedia#Editing_model , Accessed on April 28th, 2009

On the other hand, one needs to bear in mind that unlike Wikipedia, the more well known the website gets, the more contributions it is likely to receive from administrations around the world, which will eventually lead to the establishment of a brand name similar to the ISO 9000. Some politicians might even want to compromise publicly and provide all of their construction contract's information into the website in exchange for political capital.

5. EFFECTIVENESS: THE STAKE HOLDERS AND THEIR CHALLENGES

It is safe to say that many people have heard about “pacts to fight corruption” in one country or another. That is only effective to a certain extent because the pact itself is quite bureaucratic. It looks good for companies to say they have signed these pacts, just as it does to non-profit organizations and governments. The goal now is not criticize them, but to propose a different approach. **It is time to entrust the citizens themselves with the power to fight corruption – and that can be done with technology, by building the website proposed in this business plan.**

Now let's take a look at how the main shareholders might consider the idea of this proposed website.

5.1 Governments

Challenge: Primarily in developing countries, a lot of people have become rich by committing fraud in bid contracts related to construction businesses. These people have resisted any measure intended to expose how much the government spends in its contracts with the private sector. Thus, the federal government might not be willing to force the municipalities, the states (or provinces) and even its own federal institutions to provide the website with data regarding their spending.

Recommendation: As shown before in the case of Brazil, the law emphasizes the need for publicity so the governments will have no grounds on which to deny providing information. Since transparency in government spending is accepted almost universally (with few exceptions to issues like national defense etc), once the website gets popular, they will feel compelled to provide the required information. Besides, it is possible to rely on the work of volunteers to collect and insert the information into the website. Just like on Wikipedia, anyone will be able to edit. If the information is wrong, then the administration implicated will be “forced” to provide the true version of it. Also, when the website becomes more popular it will be easier to get support from governments.

5.2 Non-governmental Anti-corruption Groups or Organizations

Challenge: These organizations could either see the website as a threat to their “fighting corruption market share” or, more likely, join the effort and support it. The key issue will be how to facilitate their participation in the project.

Recommendation: Bring them in. During the building process of the website, call these groups and ask for advice. They will most likely contribute with their know-how. Besides, the whole point of building the website is to make a better society – it is not about vanity at all.

5.3 Construction Companies

Challenge: Companies might be opposed to exposing the value of their contracts with the governments.

Recommendation: They can be convinced to cooperate by the examples of other competitors. Also, governments might make the winner of construction contracts to update the website with the relevant data as a precondition to maintain them. Regardless of what companies think, in most countries the administration has to make the contracts public anyway and volunteers would insert the data into the website.

5.4 Technology Companies

Challenge: Make them care.

Recommendation: By showing this is a serious project, many companies will be willing to participate somehow, perhaps with technical advice or even money.

5.5 You (all citizens)

Challenge: Make people participate in the project.

Recommendation: Collaborative websites are a reality. Wikipedia and Facebook leave no doubt about that. The corruption issue is very serious, but there are many honest people in the world willing to volunteer their expertise for the well being of society. One of the reasons for the success of Wikipedia is the Wikipedia community.⁷ Soon the anti-corruption community would be able to play a similar role.

6. FUNDING

Some ideas are perceived as being very good, but the traditional issue of “Who will pay the bill?” eventually arises. There are many options regarding this, depending on who buys the idea of building the website.

The first option would be a technology company to sponsor it, possibly the Wikipedia foundation. By doing so, the Wiki technology could be used in the same way it has been and the Wikipedia community would serve as a base for contributors to the anti-corruption website. Other options would be Google or Facebook. In the later case, just like it would happen with Wikipedia sponsoring the project, a simple tool developed to be used on Facebook could take advantage of Facebook’s huge user base to make the website work.

There is also the option of some government, such as the Brazilian government, building the website and feeding it with information from all the levels of administration (municipal, state and federal). Alternatively, the World Bank could start the project and ask for the support of its members.

Regardless of “who” will buy the idea, the most important thing now is to give this project publicity. If the World Bank embraces the project, there will be someone to implement it.

⁷ More information about the Wikipedia community at http://en.wikipedia.org/wiki/Wikipedia#Wikipedia_community , Accessed on April 28, 2009

7. CONCLUSION

The World Bank asked for a “Business plan on a design an innovative monitoring **model to prevent corruption and ensure compliance in a specific part of the private sector**. In addition, please provide a description of challenges that could arise for the different stakeholders.”

By building the website proposed in this business plan it will be possible to prevent corruption by making available to the public the information on how much their governments are paying for construction services.

In addition to highlighting possible corruption cases, the website will have the power to minimize government spending in construction contracts by exposing the best and the worst administrations, i.e., efficiency will prevail.

By relying primarily on the work of volunteers, the cost to keep the website will be very low, just like that of Wikipedia – which in 2005 had only one employee and could maintain its servers with US\$5,000.00 per month. By the way, I strongly suggest the reader of this project to watch a 20 minute video of the founder of Wikipedia explaining how the website works. On April 30th, 2009, the video was available on this link: http://www.ted.com/index.php/talks/jimmy_wales_on_the_birth_of_wikipedia.html

One key difference is that Wikipedia relies only on the information from its volunteers worldwide, but this proposed website has the potential to get official information from cities, provinces and countries. That would come at no cost to the website itself because the governments would use their staff to insert the data into the system. Later on, politicians could even promise to update the website before elections in order to get more votes.

Also, this website could become the one to unite all the transparency information available from around the globe, just like Facebook has connected people in all corners of the planet. First, it will start with construction contracts. Then, the same principle and technology can be used to compare how schools are spending their money, how hospitals are doing it and so on.

All of this might sound too difficult now and even impossible, but the same thing was said of many ideas before they become an integral part of our lives. So I ask the World Bank:

Why not?

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