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when ideas do work



Module 4.3 Climate and environmental projects in Public Procurement

Identifying corruption risks through
contract information and
subcontracting



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select • monitor • report

Getting Started with Module 4.3



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iMonitor reporting template

Monithon reporting module for monitoring public contracts

MONITORING PUBLIC CONTRACTS

Monitoring a public contract is another dimension of **civic monitoring** that allows you to make sure that the funds allocated to your community are effectively reaching the people who should benefit from them.

Public contracts are a key piece of how public resources are transformed into **actual goods, services, or infrastructure that directly affect citizens' lives**. They define the conditions by which selected SUPPLIERS, i.e. companies hired to provide them, are to deliver those goods, services, or works when and where they are needed.

At the same time, public procurement is a part of the public administration that is vulnerable to **inefficiencies and loss of resources through corruption and fraud**, and this can happen in many different ways. For instance, ideally, suppliers are selected through **competition** to allow public agencies to award contracts under the most cost-beneficial conditions. However, often contracts are awarded in a way that lets someone unduly profit from them. This may be the case if the selection process is **deliberately made less competitive to benefit a particular supplier**, perhaps a company linked to public officials involved in the selection process. A supplier may also receive the contract at a higher cost than necessary or justifiable. In some cases, problems are observed when the contract is being implemented: the conditions established by the contract are not met by the supplier and those who should benefit from the contracted goods, services, or works receive them in lesser amounts or substandard quality, or in serious cases may not receive them at all.

Monithon now allows you to monitor this side of public policy implementation as well.

Step 1 - Desk analysis

Section A:

Project/Programme information

Types of climate and environmental projects

Section B:

Contract information

Subcontracting

Step 1 - Desk analysis

Section A: Project/Programme information



Sources of financing

Why is it important ?



Source: Pixabay

Step 1 - Desk analysis

Section A: Project/Programme information



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Is it a contract under an EU project?

- ❑ in projects co-financed by the EU, EU and national law often impose additional rules for implementation and monitoring;
- ❑ within the national and EU management and control systems, there are specialized institutions responsible for their correct implementation and equipped with tools, e.g. IT, for research and identification.

Is it easier to monitor and detect red flags - symptoms of corruption?

- ❑ Yes, based on agreements with the Beneficiary, requirements are defined for submitting documentation and undergoing control process, including on-site control of the project implementation and public procurement control;
- ❑ information obtained from these institutions, e.g. through access to public information, is a valuable source of information and information about suspected irregularities or corruption-related crimes can be reported to them.

MONITUTOR

This section imports several fields automatically from data available for this contract on opentender.eu. It also includes an integrity profile for each tender and contract, based on selected procurement corruption red flags. A lower integrity score is associated with a higher risk of procurement corruption.

If you have not selected the contract directly on opentender.eu, the information can be included by inserting the corresponding opentender.eu link at the top. You can complement it with information from other sources (e.g. national procurement portal, copy of contract). If you find a divergence of information between data from opentender.eu and the original contract, you can correct the information in the corresponding field. In that case, please make sure to attach the respective documentation to justify your corrections.

Opentender.eu source

[link to opentender.eu page]

Contract title

[automatically imported from opentender.eu]

Contract object: What is the exact product you are monitoring? (CPV code and description)

[automatically imported from opentender.eu]

Contracting body: Which agency awarded the contract?

[automatically imported from opentender.eu]

Supplier: Who was awarded the contract?

[automatically imported from opentender.eu]

Contract value: What is the total contract value, as established in the original contract?

If the final price imported from opentender.eu does not correspond to the contract value as specified in the contract, please include the original contract amount here.

[automatically imported from opentender.eu]

Step 1 - Desk analysis

Section B: Contract Information



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- Monitoring template
- opentender.eu
- Types of public contracts
- Contract supervisor
- Subcontracting

What are the types of environmental and climate public contracts?



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Supplies (Goods)

Purchase of **portable water quality monitoring kits**
Acquisition of **air pollution sensors** for urban monitoring
Buying **solar panels** for municipal buildings

Services

Environmental impact assessments for new infrastructure projects
Waste management audits and supervision services
Climate risk modeling and geographic information system (GIS) mapping for flood defense planning

Works

Building **urban flood defense levees** (e.g., SafeRiver project)
Restoring **wetlands or riverbanks** to improve resilience
Constructing **renewable energy facilities** such as wind farms or biogas plants



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Examples of Environmental Projects

- ❑ Biodiversity protection
 - safeguarding species and habitats
- ❑ Pollution control –
 - reducing air, water, and soil contamination
- ❑ Waste management –
 - recycling, circular economy initiatives
- ❑ Ecosystem restoration
 - wetlands, forests, rivers
- ❑ Sustainable resource **USE** – renewable energy, green agriculture



Examples of Climate-related Projects



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Source: Pixabay

- ❑ Climate adaptation – flood defenses, drought-resistant crops, resilient infrastructure
- ❑ Climate mitigation – reducing greenhouse gas emissions, renewable energy deployment
- ❑ Carbon sequestration – reforestation, soil carbon projects
- ❑ Energy transition – solar, wind, hydro, clean transport
- ❑ Community resilience – education, early warning systems, local capacity building



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Case Study: The Wind Farm Oversight Project



Case Study: The Wind Farm Oversight Project



Lessons and Advice for Desk Research

When looking for red flags of irregular or phantom subcontracting in climate or environmental projects, pay attention to:

- **Company registration details** – Is the subcontractor legally registered? When was it founded?
- **Business activity alignment** – Does the company's declared activity match the services in the contract?
- **Track record** – Has the company delivered similar projects before, or is it brand new?
- **Transparency of ownership** – Are the owners or directors linked to the main contractor or public officials?
- **Contract annexes** – Compare subcontractor lists with registry data to spot “phantom” entries.
- **Payment schedules** – Look for unusually high payments to subcontractors with little capacity.

Source: Pixabay



Irregular (and phantom) subcontracting and possible red flags



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Forms of Corruption in Subcontracting

Cost Overcharges: A subcontractor, in agreement with the prime contractor, may inflate service prices to achieve higher profits, often in exchange for a "commission" for the prime contractor.

Hiding Errors: A prime contractor may turn a blind eye to subcontractor errors if they receive benefits from them, which can lead to harm for the investor.

Unfair Financial Practices: A prime contractor may delay payments to subcontractors, withholding funds from the investor, and subcontractors receive payments later than they should.



Source: Pixabay

Subcontracting

Step 1 - Desk analysis - Section B: Contract information



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Irregular (and phantom) subcontracting and possible red flags / risks

Monitoring subcontracting is crucial to make sure that the works and services delivered by subcontractors meet the requirements of the main contract, while also complying with quality and environmental standards and certifications.

Red flags (to be detected in desk analysis):

- losing bidders hired as subcontractors;
- economic operator provides information in the bid about subcontractors who are competing as economic operators in the same tender;
- experienced contractors may choose not to submit bids and instead become subcontractors, or a low-priced bidder might withdraw from the tender and later become a subcontractor

Subcontracting

Step 1 - Desk analysis - Section B: Contract information



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Irregular (and phantom) subcontracting and possible red flags / risks

Red flags (to detect in desk analysis):

- ❑ subcontractors hired in a cascade manner;
- ❑ differences between the terms of reference requirements and the actual implementation of the contract:

the subcontractor performs works/services for which personal performance of the contractor was required;

entity in the role of subcontractor (on which capacity based the contractor) does not perform works/services.

Subcontracting

Step 1 - Desk analysis - Section B: Contract information



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Irregular (and phantom) subcontracting and possible red flags / risks

Life-based example – in order to see red flags

POLAND – based on Supreme Audit Office report



- the contract does not require the contractor to provide proof of payment of the due remuneration to subcontractors;
- failure to include in the catalogue of contractual penalties penalties for the contractor's failure to submit subcontracting agreements for the contracting authority's approval;
- failure to include as a reason for the contracting authority's withdrawal from the contract the contractor concluding subcontracts for works without the contracting authority's approval.

Source: Supreme Audit Office Report: P/20/031 - "Securing the State Treasury's interests in the area of indexation and joint and several liability of the investor in contracts for the implementation of linear infrastructure facilities"

Subcontracting

Step 1 - Desk analysis - Section B: Contract information



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Irregular (and phantom) subcontracting and possible red flags / risks

Life-based example – in order to see red flags

ITALY



Cascading subcontracting (or "subcontracting of subcontracting") was recently permitted by the new Public Contracts Code (Legislative Decree 36/2023), eliminating the previous ban.

This has increased the risk of corruption and criminal infiltration in climate and environmental projects.

The cascading subcontracting structure facilitates the creation of opaque subcontracting chains, which can be exploited to launder dirty money through inflated invoices and undeclared labor.

Source: <https://chambers.com/articles/the-reform-of-the-italian-public-procurement-code-6> The reform of the Italian public procurement code

Quiz

Step 1 - Desk analysis - Section B: Contract information - Subcontracting



Source: Pixabay

Case study: *In a wetland restoration project, invoices showed payments to a “specialized subcontractor” for planting aquatic vegetation. However, site visits revealed no such team ever arrived. The main contractor pocketed the funds, while the habitat remained barren.*

1. Which of the following is a red flag for *phantom subcontracting* during contract implementation?

- A. Subcontractors were not present on-site during the check.
- B. Payments are made to subcontractors who never appear or perform work.
- C. Subcontractors provide irregular progress reports.

Quiz

Step 1 - Desk analysis - Section B: Contract information - Subcontracting



Source: Pixabay

Case study: A subcontractor hired to install erosion-control barriers along a reservoir used cheaper, low-quality fabric. Within months, heavy rains washed the barriers away, causing sediment to pollute the water. The project failed its climate resilience goal, and taxpayers paid for ineffective work.

Which risk arises when subcontractors deliver *substandard work* compared to contract specifications?

- A. There is no apparent risk, as we can rely on the subcontractor's qualifications.
- B. Environmental damage or failure to meet restoration goals.
- C. Faster completion of the project.

Quiz



Case study: During a reforestation initiative, the original subcontractor was abruptly replaced with another firm linked to the project manager's relative. No justification was documented. The new subcontractor charged double for saplings, reducing the number of trees planted and compromising the project's environmental impact.

Which situation signals *irregular subcontracting* in environmental contracts?

- A. Subcontractors are irregularly changed during project implementation with the prime contractor's approval.
- B. Subcontractors are not regularly fulfilling tasks according to the schedule.
- C. Subcontractors changed mid-project without justification or proper approval.



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**Awareness is the first step
towards accountability!**

**Thank you for your active
listening, and may these
tools empower effective
monitoring
of public procurement
projects.**



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