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when ideas do work



Module 4.8

Climate and environmental projects in Public Procurement

Spotting corruption: Irregular
subcontracting during Contract
modification and the next steps



iMonitor
select • monitor • report

Getting Started with Module 4.6



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 2: Contract Implementation

Corruption scheme: Irregular (Phantom) Subcontracting

Step 3: Results and Impact

Corruption scheme: Irregular (Phantom) Subcontracting



Source: Pixabay

- Procurement rules favored construction firms over ecological experts
- Contracts awarded to builders with no biodiversity expertise
- Phantom subcontracting: ecological tasks outsourced but never properly executed
- Red flags for citizens:
 - Desk analysis → look for vague ecological deliverables, overemphasis on “landscape”
 - On-site check → see if promised ecological restoration (native planting, habitat protection) is missing or replaced by paving/lighting



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Corruption scheme:Irregular (phantom) subcontracting

Step 2 - Contract implementation



RED FLAGS:

- **Favored Subcontractors:** Repeatedly awarding contracts or subcontracting to the same suppliers.
- **New or changed subcontractor without proper experience** (required according to the terms of reference).
- **Change in the scope** of subcontracting (previously economic operator confirmed by itself proper abilities)
- Subcontractors present on a work site **without prior notification** from the contractor to the contracting authority.
- **Lack of proper payment** to subcontractors (contracting authority is obliged to cover this cost).



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Corruption scheme:Irregular (phantom) subcontracting

Step 2 - Contract implementation



Actions that should arouse suspicion

Expanding the scope of subcontracting

The scope of a contract executed by a subcontractor (especially entity on which capacities relied contractor) **cannot be increased if the contractor relied on the subcontractor's resources to meet the conditions for participation in the procedure (e.g., required qualifications, experience).**

Entrusting the entire contract

The contractor cannot entrust the entire contract to a subcontractor!



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Corruption scheme:Irregular (phantom) subcontracting

Step 2 - Contract implementation



Source: Pixabay

Expanding the scope of subcontracting
Entrusting the entire contract

How to detect ?

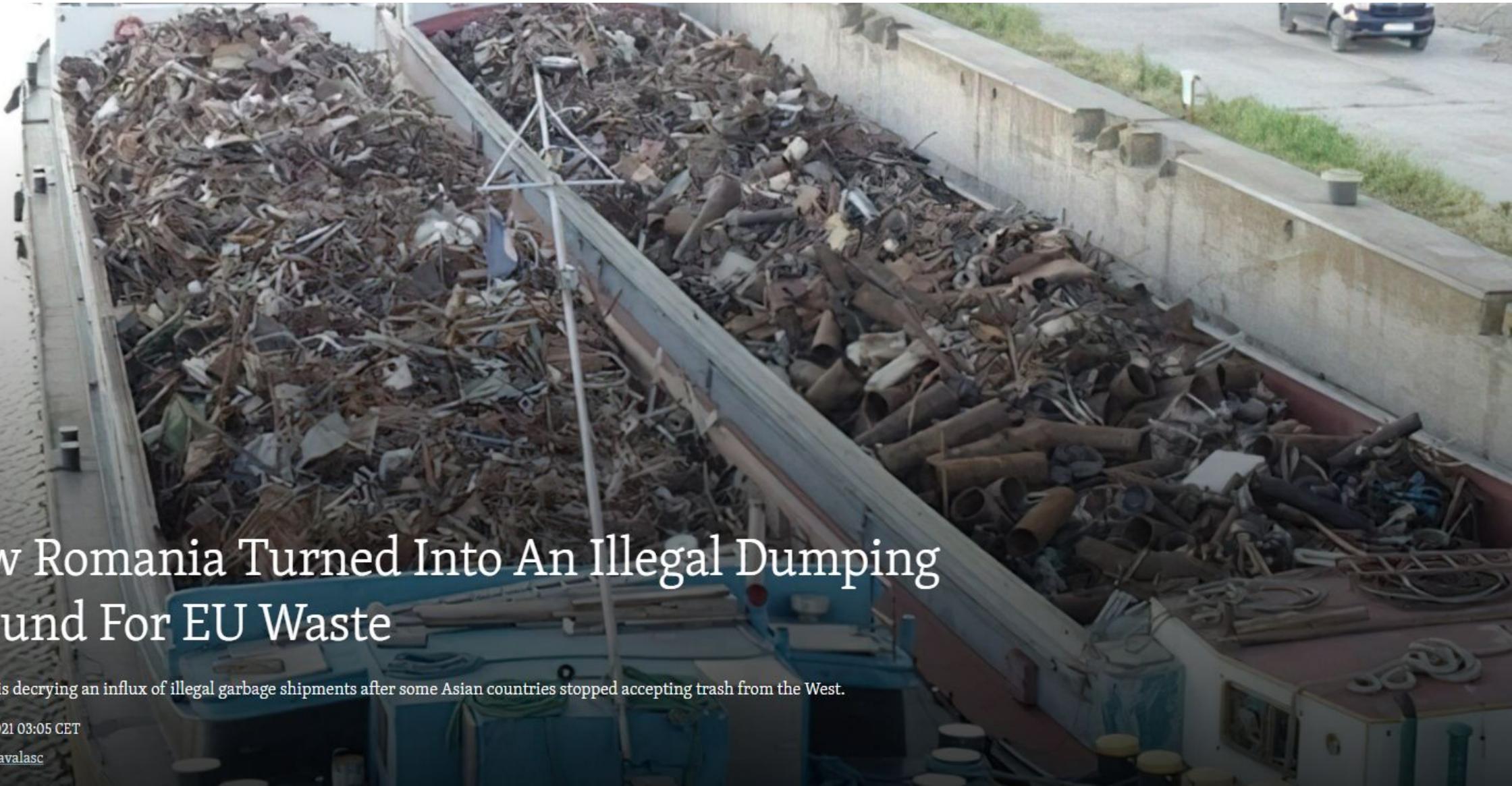
1. Return to the tender documentation and requirements in the area of subcontracting
2. Read the questions asked at the tender stage to see if the contractors paid attention to above-mentioned requirements
3. Familiarize yourself with the documents If you are able to obtain copies of construction documents, e.g. interim payment certificates (when contract require the entry of the subcontractor and the scope of work performed), check who was entered as a subcontractor
4. On-site visit – can require a technical knowledge



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Case study: Illegal dumping ground in Romania

Corruption scheme:Irregular (phantom) subcontracting



How Romania Turned Into An Illegal Dumping Ground For EU Waste

Bucharest is decrying an influx of illegal garbage shipments after some Asian countries stopped accepting trash from the West.

August 29, 2021 03:05 CET

By Marian Pavalasc

Case study: Illegal dumping ground in Romania

Corruption scheme:Irregular (phantom) subcontracting



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Mihai Barbu (Reuters)

- Imported waste falsely labeled as recyclable materials
- Phantom subcontractors inserted into contracts
- Used to channel illicit payments
- Costs inflated, accountability blurred

A garbage dump near Bucharest source:

<https://www.rferl.org/a/romania-garbage-asia-european-union/31429822.html>

Case study: Illegal dumping ground in Romania

Corruption scheme:Irregular (phantom) subcontracting



Spotting Red Flags

- Subcontractors with no track record
- Payments to firms not visible on site
- Complex chains of subcontracting
- Costs rising without added value

Used tires hidden in a truck that was part of a convoy originating in Germany and France in August.

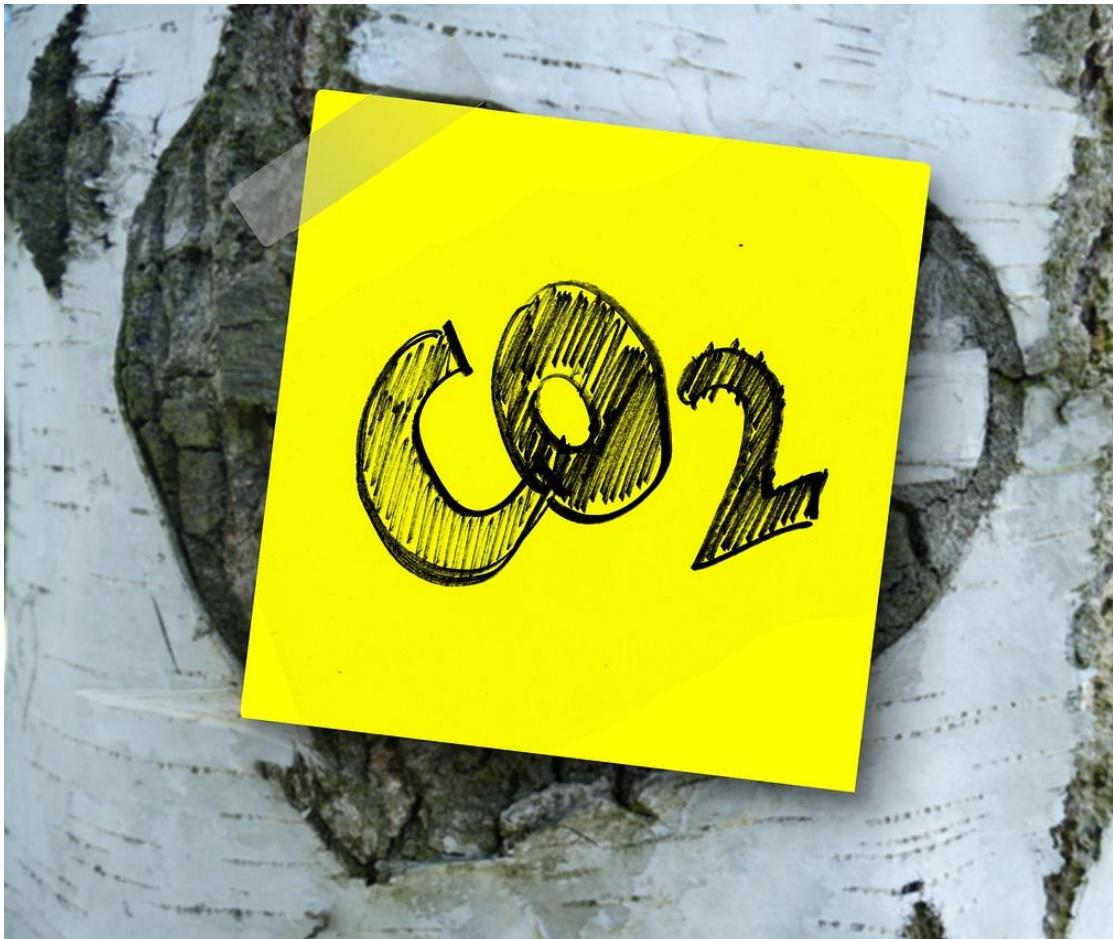
Source: <https://www.rferl.org/a/romania-garbage-asia-european-union/31429822.html>



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Case study: Carbon scam in France

Corruption scheme:Irregular (phantom) subcontracting



Source: Pixabay

Between 2008 and 2009, EUR 1.6 billion were swindled in a carbon quota market scam by a criminal group.

The head of the operation was convicted for tax the worth of EUR 385 million through the EU carbon trading market. **The money was then laundered through a large number of dummy companies in various countries.**

France had sales tax (VAT) on carbon credits, so the convicted group bought VAT-free credits abroad and sold them in the French market with added sales tax.



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Case study: Climate subsidies in Italy

Corruption scheme:Irregular (phantom) subcontracting



Between 2016 and 2020, governmental climate subsidies in Italy were misused in a money laundering scheme involving multiple European countries. 20 arrests were made linked to the investigation of a criminal network illegally obtaining certifications for energy efficiency through fictitious projects and receiving governmental climate subsidies from the Italian government.

The criminal profits were withdrawn in other European countries (like Germany and Switzerland) and transported back to Italy. **The use of multiple entities and fake invoices points to opaque financial transactions that often involve complex subcontracting chains and "letter-box companies" designed to obscure the money trail.**



Quiz 1



Source: Pixabay

The City of Amalfi commissioned the construction of flood-resilient infrastructure in a coastal region. The project aimed to protect vulnerable communities from rising sea levels and extreme weather events. However, during implementation, community members noticed delays, poor-quality construction, and missing equipment — raising concerns about possible corruption risks.

Question: Which of the following is a red flag for phantom subcontracting? (Choose all answers that apply)

- A.** There is no red flag. If it is a public contract, it must be implemented according to the law.
- B.** Subcontractors were not noticed at the construction site within 3 months
- C.** Invoices from subcontractors with vague descriptions



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Quiz 2



What is a red flag that might suggest public resources are being misused?

- a. Workers seen renovating a private home
- b. Delays due to weather
- c. Use of local contractors



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STEP 3: Results and Impact



Source: Pixabay



- Reflect on monitoring experience
- Share insights & lessons learned
- Even small findings matter
- Raise awareness & visibility
- Consider dissemination (incl. anonymous reports)
- More guidance in monitoring template

**small observations can make
a big impact**



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SOLUTION

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INCLUSIVE

Thank you for your engagement!

Let these lessons on
corruption red flags guide
us toward more
transparent climate and
environmental governance!



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