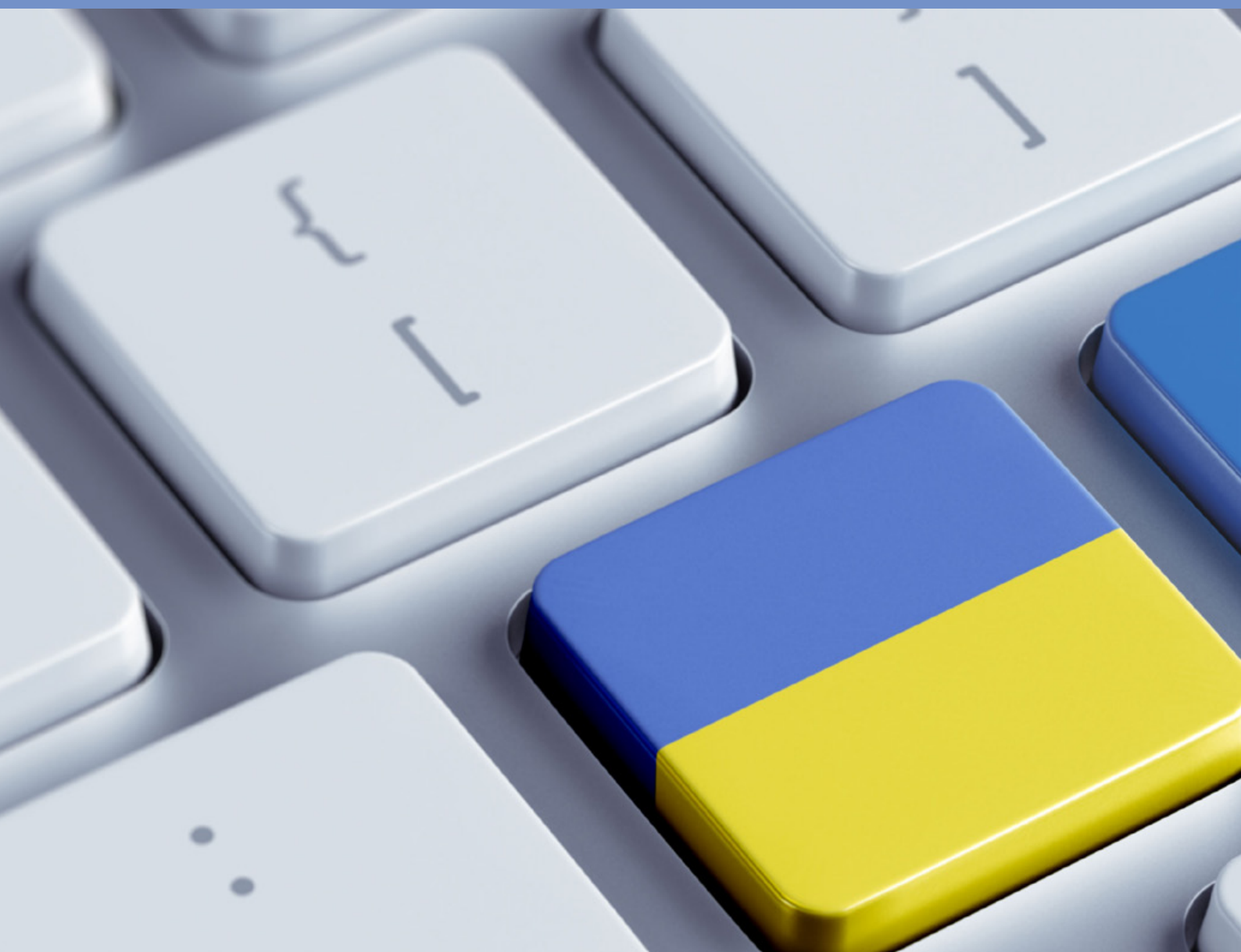




THE IMPACT OF THE PROZORRO PROCUREMENT SYSTEM ON THE UKRAINIAN ECONOMY



“ Prozorro has changed how Ukrainian businesses and citizens think about public procurement and their government. ”



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Ukraine's innovative national-level e-procurement system Prozorro is helping foster a well-governed market economy and strengthen democracy and the rule of law in the country. In addition, it is contributing to positive economic and market outcomes, some of which can be traced back to the EBRD's technical cooperation with the Ukrainian government. This has included specific technical activities – such as legal assessment, regulatory reforms, entering the international trade system and piloting a digital infrastructure innovation – that have ultimately led to a better governed and more transparent, efficient and competitive economy in Ukraine.



INTRODUCTION

During the Ukrainian Maidan Revolution – the 2014 uprising in the country against widespread corruption under former president Victor Yanukovich – a group of civic activists and data experts, realising the importance of public contracts for well-functioning public services and markets, decided to overhaul government procurement in Ukraine. Their efforts produced an open-source e-procurement system, Prozorro (meaning “transparency” in Ukrainian), and a community of civic volunteers, Dozorro (meaning “watchdog”), who analyse contracting data, flag high-risk deals and irregularities, and report them to relevant government monitoring and enforcement agencies to improve the quality of procurement and public services dependent on public contracts.

Launched initially as a civic effort, Prozorro's first institutional support came from the EBRD. The Bank's technical assistance – in particular, the Prozorro Project Implementation Support programme, which was implemented in cooperation with Transparency International Ukraine – helped with the piloting of Prozorro, and the electronic trading system (ETS). Prozorro was subsequently developed into an advanced e-government IT solution with the assistance of the United States Agency for International Development. Prozorro has changed how Ukrainian businesses and citizens think about public procurement and their government. The system also demonstrates that systemic economic and governance transformation depends on the ability to overcome problems of market

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uncertainty and the legitimacy of government. In the 11 years since work began on Prozorro, it has survived the Covid-19 pandemic and the ongoing challenges of the wartime economy during the Russian invasion. It has persisted as a highly successful digital marketplace, an impressive tool for combating corruption and a reminder of the importance of transparency in reinforcing confidence in government. Prozorro has also created competitive domestic markets, increased the number of domestic commercial companies bidding for public contracts – from 14,000 in 2014 to 140,000 in 2024 – and, since its launch, helped save more than US\$ 8.7 billion in public funds in Ukraine's state budget. Prozorro is therefore not only a successful reform of government procurement but also a cornerstone of a healthy market, a source of Ukrainian private-sector digital competitiveness, and a contribution to democracy and the rule of law in Ukraine.

THE IDEAS BEHIND PROZORRO

Ukraine is the second-largest country in Europe by area, with a population of approximately 41 million people (2022). Before the full-scale Russian invasion, Ukraine's gross domestic product (GDP) was growing modestly, reaching around US\$ 155.5 billion in 2021. The country's key economic sectors are agriculture, manufacturing and services. As in all transition economies, public procurement accounts for a substantial share of Ukraine's economy. In 2021 it represented an estimated 13-15 per cent of GDP. This is linked to a large public sector of 40,000 public buyers, which includes a significant number of state and municipally owned enterprises acquiring goods, services and works, ranging from commodities to key large-scale infrastructure projects. Prior to the reforms sparked by Prozorro, digitalisation levels in government were typically low, with opaque governance processes, limited access to information and a high risk of corruption.

In 2021 public procurement accounted for an estimated **13-15%** of Ukrainian GDP

Prozorro was thus born of frustration on the part of many Ukrainians with a corrupt system of public procurement that was closed to all but a well-known circle of oligarch-owned companies. It was inspired by successful reforms in Georgia, where, in 2010, the Saakashvili government started to use technology to fight corruption in government procurement. Prozorro, too, was built on the principle of employing technology to embed transparency and impartial decision-making in the public-sector governance process – key ingredients in any post-Soviet reform.¹

The fairytale-like post-Maidan transformation of public procurement in Ukraine is built around two core concepts. The first, "Everyone sees everything", is borrowed from Georgia and its aforementioned success in fighting corruption. The second, the "Prozorro Golden Partnership Triangle", is original to Ukraine and essentially involves merging open-government concepts with IT industry expertise. This has resulted in the design of a thoroughly innovative, modern digital marketplace model for the public sector.

1. "Everyone sees everything": In Prozorro, everyone can see everything in real time, or almost. All solicitations and announcements from all market participants are available online immediately. After each step of the bidding process, complete tender data are

¹ See Nizhnikau (2022).

disclosed online. These include a list of all participants in the public tender procedure, their bids, information about the auction process (if applicable), decisions of the tender committee and all supplier qualification documents. All this information is also publicly accessible through the Prozorro business intelligence hub at <https://bi.prozorro.org>, which allows all market stakeholders, including members of the public, to follow all procurement decisions of the government.

2. “Prozorro Golden Partnership Triangle”:

Technically speaking, this term refers to a networking IT platform that operates through automated online collaboration between several IT tools belonging to market stakeholders – e-commerce marketplaces, government and civil society – with each digital tool playing its part in the governance of this market. This makes Prozorro a unique e-procurement solution, because it has introduced an IT-industry principle of shared business logic into the design of the e-government system. Shared business logic systems network online, allocating relevant parts of the same transaction to the responsible parties and executing it in a standardised way. This model for IT architecture ensures the technological independence of each party and serves to reduce the total cost of the necessary digital infrastructure, while increasing trust among transaction partners by creating a system of mutual checks and balances. In other words, the open-source Prozorro boasts all the benefits of blockchain without the actual use of proprietary blockchain technology.

In the Prozorro system, privately owned e-commerce marketplaces are certified to operate to the required legal and data standards in order to network with the government-operated central database unit (which is the heart of Prozorro), and, through it, with other linked civic and government tech tools that, together, make up the Prozorro digital marketplace. In this modular and constantly innovating model, the government owns what it needs, which is complete procurement transactions data, while the commercial e-marketplaces compete with each

other to deliver the best possible end-user service to business and public-sector buyers. And it is genuine competition, because the instant exchange of data between privately owned e-commerce platforms and the government's central unit means there are no strings attached for end-users; both public buyers and the private sector may use different e-commerce platforms for each public tender procedure. This results in commercial platforms actively competing for clients and providing continuous improvements in service for both government buyers and the private sector. In such a model, the government does not really provide digital services to end-users but benefits from a lower vendor lock-in risk and good-quality, comprehensive procurement data, enabling it to manage the market effectively, fine-tune procurement regulation and innovate.

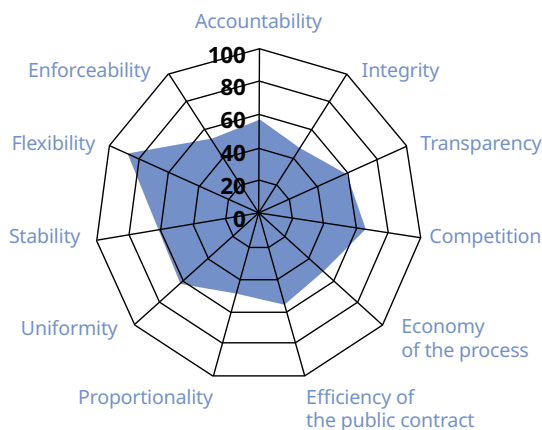
EBRD INVOLVEMENT

In 2010 the EBRD's Legal Transition Programme (LTP) completed a legal assessment of public procurement in the economies where the Bank operates, covering regulatory transparency safeguards, economic efficiency and the institutional effectiveness of domestic regimes for public procurement. The key research findings for Ukraine, as shown in Figure 3, did not paint a pretty picture. The country's public procurement system was found to feature the following:

- **A fragmented, manual and unaccountable process:** Each contracting authority managed its own procurement, supervised by several overlapping control mechanisms, often leading to inefficiencies, inconsistencies and legal uncertainty.
- **A lack of transparency:** Paper-based procedures meant market information was incomplete and compliance and performance monitoring were difficult, creating plenty of opportunities for mishandling public spending.
- **Low competition:** Unclear and bureaucratic procedures deterred businesses – especially small and medium-sized enterprises – from bidding on government contracts.

- **A high perception of corruption:** Ukraine was ranked poorly on corruption control, eroding trust among businesses and the public.
- **A lack of government accountability for procurement decisions:** The public procurement complaint mechanism was not independent, and the review process did not ensure procedural fairness for the private sector.

Figure 3. Key findings of the legal assessment of Ukraine's public procurement, 2011



Source: EBRD (2011).

In response to these identified procurement-market shortcomings, the EBRD's technical cooperation with Ukraine focused on advocating for legislative reforms, including creating an independent procurement complaint mechanism and facilitating Ukraine's accession to the World Trade Organization (WTO) Agreement on Government Procurement (GPA). The aim was to introduce international public procurement policy standards to Ukraine's legislative framework and create a powerful safeguard against the reversal of procurement reforms. Because the WTO GPA is a ratified international agreement, it stands just below Ukraine's constitution in the country's civil law system.

At the same time, the EBRD shared the views of Ukrainian civic activists that legislative reform would not, on its own, change how the

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country was governed overnight. The risk of new progressive procurement laws remaining unimplemented is well-known in post-Soviet countries. For this reason, the LTP embraced the idea of using emerging technologies to create a transparent, efficient and accessible e-procurement system for Ukraine, and the Bank decided to support the Maidan civic technology activists' digital innovations, including Prozorro.

PROZORRO'S IMPACT ON THE ECONOMY

The EBRD defines a well-governed economy as one that promotes the rule of law, transparency and accountability, stimulating firms to balance the interests of stakeholders effectively. Prozorro supports these principles by driving improvements in national and subnational economic governance and strengthening the rule of law. Since its nationwide launch in 2015, Prozorro has significantly strengthened national and subnational economic governance. By 2023 it had centralised the allocation of nearly 80 per cent of public procurement funds, reducing inefficiencies. The platform has achieved more than UAH 290 billion in savings, including UAH 17 billion in defence procurement alone. In addition, Prozorro Market, a specialised procurement platform integrated into Prozorro, has reported cost savings of between 15 and 20 per cent compared with the

traditional direct awarding of low-value public contracts. These advances attest to the system's effectiveness in improving resource management, enhancing public trust and optimising the use of taxpayers' money.

Prozorro also aligns the legal and business framework for procurement in Ukraine with the WTO system of international trade rules for procurement and the EU's *acquis communautaire*, bolstering adherence to international best practice in the regulation and operation of domestic and regional public procurement markets. Transparency and accountability have improved dramatically, thereby enhancing trust in public institutions. The World Bank Enterprise Survey in 2019 reported that around 9.2 per cent of surveyed Ukrainian firms participated in public tenders – an increase on previous years and a sign of constantly growing business confidence in Ukraine's public procurement markets.

This development is also reflected in global indices. Since the Maidan Revolution, Ukraine has steadily improved its score for Transparency International's Corruption Perceptions Index (CPI). Between 2014 and 2024 its score went up by nine points, to 35, indicating continued progress in anti-corruption efforts.

By 2023 Prozorro had centralised the allocation of nearly **80%** of public procurement funds

More than **3.6 million** tender procedures were conducted in 2024

PROZORRO'S IMPACT ON DOMESTIC MARKETS

Prozorro's impact at the market level is evident in how effectively it fosters good governance, anti-corruption measures and improved procurement practices across sectors. In addition, the governance of stakeholders and institutions has become more effective. The exponential growth of the specialised Prozorro Market, which is now an important component of the Prozorro system, demonstrates the more robust governance of market stakeholders and the improvements in institutional capacities. By 2024 procurement volumes had surged, bolstered by a record-breaking 3,618,320 tender procedures. These figures illustrate the ability of Prozorro Market to foster greater responsiveness and transparency among stakeholders, enabling institutions to manage complex procurement.

Prozorro – with its principle of “Everyone sees everything” – is the first time that Ukrainian policies and institutions have been used in such a forceful way to combat corruption. This principle empowers the private sector, citizens, civil society and watchdog groups to monitor government procurement decision-making. Dedicated digitally enabled communities such as Dozorro provide structured methods to identify and report irregularities and suspected corruption cases. This multifaceted transparency strategy has proved critical in

Ukraine's anti-corruption efforts, evidenced by improvements in both domestic and international corruption perception ratings. According to Transparency International, Ukraine's CPI score, while still low, shows a gradual upward trend, signalling that such watchdog initiatives are beginning to bear fruit in the fight against graft. Similarly, the World Bank's "Control of Corruption" indicator highlights modest but steady progress.

Prozorro's success is also based on modern public procurement policies and the use of technology to improve domestic procurement practices. Prozorro has introduced multi-criteria evaluations (including assessments against energy efficiency and sustainability standards) to Ukrainian businesses and markets.

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Prozorro promotes fair competition by targeting improvements in the quality of public services in Ukraine. It has created a healthy marketplace that has remained competitive over time, with 2.38 bidders per tender procedure in 2024, which is above the EU average. Major procurement categories, such as food products, road infrastructure and electricity, have benefited from this increased competitiveness. Notably, the platform has facilitated the spending of UAH 16 billion on electricity alone, ensuring more reliable provision of this critical public service.

The development of risk-based indicators for ex ante monitoring in 2018 and a risk monitoring system for Prozorro in 2021 has enabled proactive oversight, leading to better compliance. This data-driven approach helps identify irregularities before they escalate, increasing efficiency and transparency. At the same time, aligning with the Open Contracting Data Standard paves the way for EU integration and the funding of reconstruction.

Prozorro has introduced energy efficiency and sustainability criteria, reducing costs and shortening procurement timelines. An online library of energy efficiency technical specifications and evaluation methods has been created and built into Prozorro workflows for easy access by public buyers. This emphasis on environmental standards positions Prozorro as a strategic tool for implementing sustainable public procurement while leveraging new technologies. It also ensures that Ukraine's procurement practices meet international standards. Digital tools like the Prozorro monitoring system and e-catalogues have modernised procurement procedures, reduced administrative burdens and made the market widely accessible to a broad range of new-entry suppliers.

The success rate
for procurement
rose from
60%
in 2022 to
68%
in 2023

PROZORRO'S IMPACT ON MARKET STAKEHOLDERS

Among Prozorro's direct beneficiaries are state agencies, local authorities and other public-sector buyers, such as municipal and state-owned enterprises, while indirect beneficiaries include businesses of all sizes. The EBRD's technical cooperation has supported advances in the skills of procurement-market institutions and stakeholders. Today, the system ensures inclusivity and resilience, particularly in frontline regions such as Mykolaiv, Kherson and Kharkiv. With competitive participation rates in these regions of 79 per cent, 50 per cent and 65 per cent, respectively, Prozorro is effective in engaging all market stakeholders.

By introducing digital complaints mechanisms and conducting online hearings, Prozorro builds the trust of private-sector suppliers and contractors and enhances the governance and accountability of public procurement decisions in Ukraine.

Prozorro creates an environment that allows robust governance practices to flourish across all levels of the public sector in Ukraine. The system's centralised real-time data platform underpins its unparalleled transparency and accountability. Tailored capacity-building programmes have been developed to train procurement officers, civil servants and

businesses in Prozorro's functions. These efforts contribute to cultivating a skilled workforce capable of sustaining systemic improvements. The fact that the success rate for procurement increased from 60 per cent in 2022 to 68 per cent in 2023 indicates that institutions have become more effective in executing procurement processes. Improvements in the accessibility and quality of data have reinforced public trust in government spending in Ukraine.

Today, it is clear that the combination of improvements to the governance framework, technology and institutional effectiveness is promoting greater accountability and service quality in both the public and private sectors. Legislative alignment with EU directives is further consolidating institutional frameworks.

TEN YEARS OF PROZORRO INNOVATION

Prozorro shows the added value of pursuing technological advances in public procurement systems alongside legislative reform to create an enabling environment for a well-governed economy. It is an established success story and an inspiration to both transitioning and developed economies. It shows how a dedicated focus on transparency, efficiency and accountability, combined with effective stakeholder engagement, can transform a domestic public procurement market. With support from the EBRD and international partners, the system has strengthened Ukraine's alignment with EU standards and addressed persistent market shortcomings in the form of inefficiency and corruption. By combining legislative reforms, digital transformation and capacity building for all market stakeholders, Prozorro has laid strong foundations for the public procurement ecosystem in the modern digital economy. In doing so, it has enhanced competition, bolstered public confidence and helped create the conditions necessary for a well-governed market economy. Data collected by Prozorro from its ecosystem of digital platforms – public, private or civic tech – serve all stakeholders at the same time: the government, business and civil society. This builds trust and enables innovation to better serve the needs of the country and its people.

Mykolaiv, Kherson and Kharkiv have participation rates of **79%, 50% and 65%**, respectively

The EBRD's support for Prozorro, in the form of LTP technical cooperation, has genuinely delivered change. This change can be measured by counting the number of technical outputs delivered (53), allowing us to see how these products of policy dialogue and technical assistance have contributed to the achievement of impact in domestic and regional procurement markets and helped to bolster the private sector and support Ukraine's economic development.

Demonstrating the effectiveness of technical cooperation, Prozorro highlights the EBRD's commitment to creating tangible, positive

change in the regions it serves. It showcases the additionality of EBRD technical cooperation, demonstrating the value that the EBRD adds over and above the provision of financing. This is particularly important in the context of public contract reforms, where systemic changes can have far-reaching implications for economic efficiency, anti-corruption efforts and private-sector development. By assessing the outcomes and impacts of technical cooperation programmes like Prozorro Project Implementation Support, the EBRD can refine its approach, replicate success and better contribute to global change.



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