Trends in areas of public procurement and anti-corruption

Kulatý stůl: Osvědčené postupy pro prevenci a odhalování korupčních rizik ve veřejných zakázkách
12 December 2018, Prague

Jaroslav Kračún

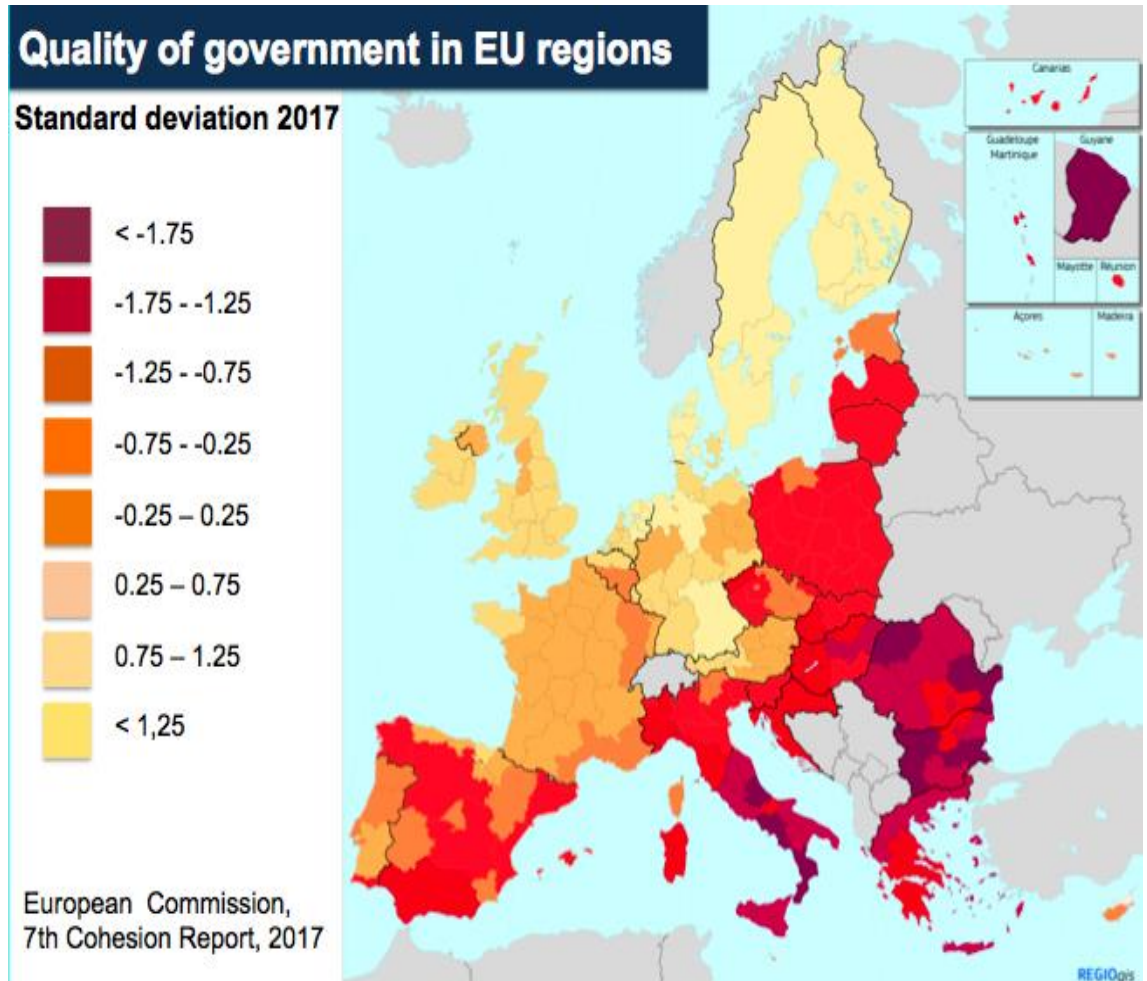**DG GROW**

Unit G4 innovative and e-procurement

OUTLINE

1. **Rationale**

2. **Anti-fraud and anti-corruption measures: assistance and tools available**

3. **Fraud and corruption prevention in the area of public procurement**

4. **Other important developments and policy initiatives in the area of anti-fraud**
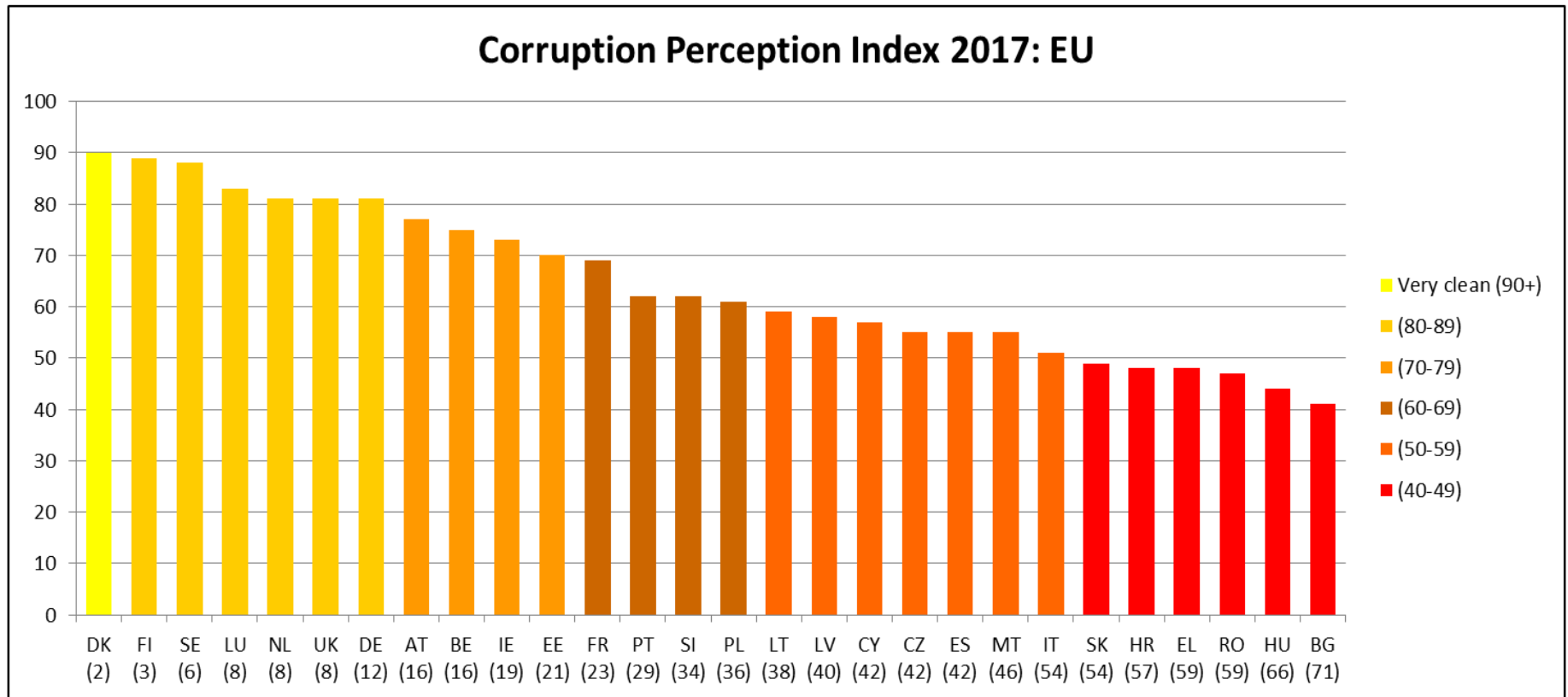
European Quality of Government Index

Governance

Poor governance slows down Cohesion Policy implementation, reduces its impact and hinders economic growth and entrepreneurship

Quality of government in EU regions

Standard deviation 2017

	< -1.75
	-1.75 - -1.25
	-1.25 - -0.75
	-0.75 - -0.25
	-0.25 – 0.25
	0.25 – 0.75
	0.75 – 1.25
	< 1,25

European Commission,
7th Cohesion Report, 2017

CORRUPTION PERCEPTIONS INDEX

Anti-fraud provisions in European Structural and Investment Funds

Article 125(4) c) of Regulation 1303/2013

*"As regards the financial management and control of the operational programme, the **managing authority shall put in place effective and proportionate anti-fraud measures taking into account the risks identified.**"*

Assistance and tools available

❖ Fraud risk assessment tool

❖ Guidance - https://ec.europa.eu/sfc/en/2014/anti-fraud

❖ Seminars on anti-fraud measures (2013-2015)

❖ ARACHNE - risk scoring tool

❖ **Stock taking study** *"Preventing fraud and corruption in ESIF"*

❖ *Trainings on anti-fraud for MS in Brussels, 2019* **new!**
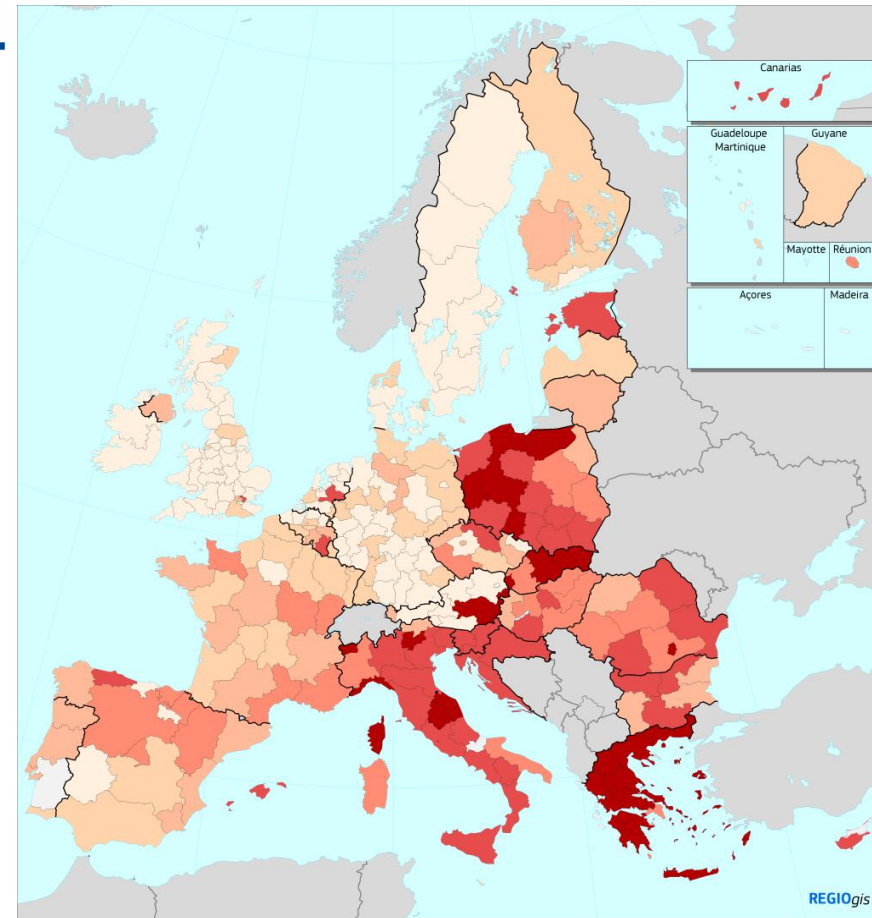
❖ **Integrity Pacts pilot project** - 17 pilots in 11 MS

Fraud and corruption prevention in area of Public Procurement
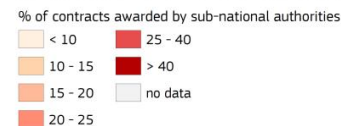
Measuring performance of Public Procurement

Limited competition

✓ Too many contracts for single bidders

✓ Not always collusion

✓ Low value for money?

✓ More e-procurement

✓ Better information

✓ More offers from outside the country

Source: **7th Cohesion Report**

Public procurement with a single bidder, average 2013-2015

% of contracts awarded by sub-national authorities

< 10	25 - 40
10 - 15	> 40
15 - 20	no data
20 - 25	

Excludes regions with less than 50 contracts awarded. Includes only contracts above the threshold of the public procurement directive.
In CY, EE, LT, LU, LV, and MT, contracts awarded by national authorities in sectors used by regional and local authorities were included. Source: EU Tenders Electronic Daily and DIGIWHIST

REGIOgis

0   500 km

© EuroGeographics Association for the administrative boundaries

Actions supporting administrative capacity building in area of PP

❖ Study on PP administrative capacity involving ESIF

❖ E-library of public procurement good practices

http://ec.europa.eu/regional_policy/en/policy/how/improving-investment/public-procurement/e-library/

❖ Public Procurement Guidance for Practitioners ***2018 edition**

❖ Training for MS experts in Brussels **new dates!**

❖ Cooperation with OECD – strategic procurement for ESIF

❖ **REGIO PEER 2 PEER** exchanges

❖ **Study: Single bidding in EU co-funded projects** **new!**

Cohesion policy Post-2020

Post – 2020
Enabling condition - procurement

1. One of the 4 **horizontal enabling conditions** – Annex III of CPR

2. **Condition for submitting payment** applications (Article 11 CPR)

3. No more action plans: need to be fulfilled from the beginning

4. Need to be complied with **throughout the whole period** (MC and ARM follow-up)

Enabling condition – procurement
Overall objectives

❑ **Verifying and reinforcing the effectiveness of procurement system**: quality and intensity of competition (7th Cohesion Report)

  ✓ Information on bidders, selection rate, prices,…

  ✓ Participation of SMEs

  ✓ Effectiveness of the remedy system

  ✓ Recourse to exclusion from procurement rules

❑ **Transparency**

❑ **Reporting and follow-up**

Enabling condition – procurement
Expected outcome

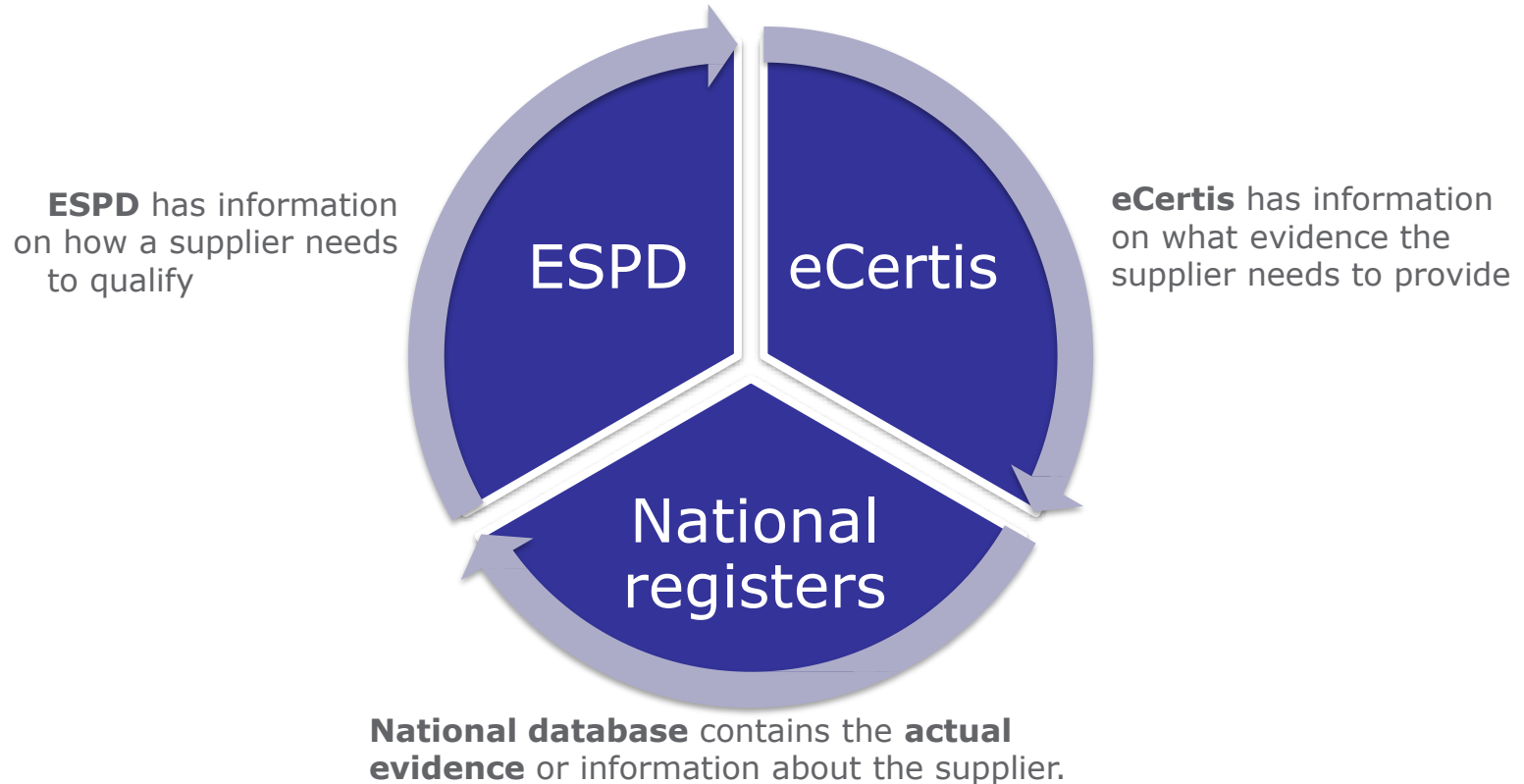Information gathered through this monitoring mechanisms shall be used for:

- Gathering intelligence on procurement for improving the framework (such as participation of SMEs)

- Identify deficiencies within contracting authorities (high selection rate, inflating prices,…) tackled through:

  - ✓ Guidance and trainings

  - ✓ Focussed audits and controls

- Combatting bid rigging

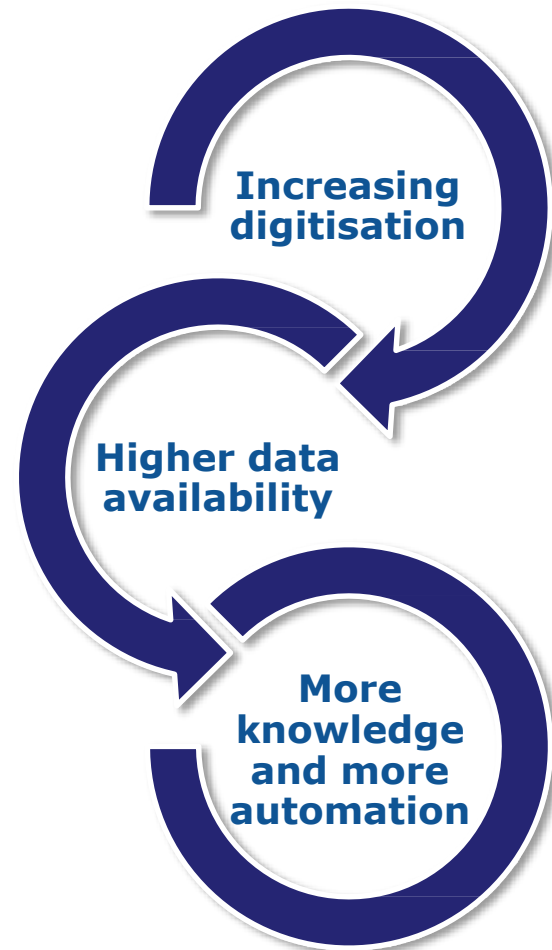- Build higher transparency and confidence in procurement system

Digital Transformation

in Public Procurement:

- Blockchain examples in contract management or suppliers registries;
- AI (Artificial Intelligence) or ML (Machine Learning) examples in automated contract structure or forecasting needs;
- AR (Augmented Reality) and VR (Virtual Reality) examples in simulating new environments in public works;
- Voice Personal Assistants Chatboxes examples in assisting both CAs and EOs during the procurement process.
- Robots, Drones and Self-Driving Safety Features in Vehicles
- 3D Printing
- Cloud services

Data availability

✓ Data quality challenges;

✓ Growing interoperability potential;

✓ Possibility to apply new emerging technologies.

Increasing digitisation

Higher data availability

More knowledge and more automation

Other important developments and policy initiatives

Important policy initiatives

❑ Directive (EU) 2017/1371 of the European Parliament and of the Council of 5 July 2017 on the **fight against fraud to the Union's financial interests by means of criminal law** (so-called "PIF Directive")

❑ Objective: **to deter fraudsters, improve the prosecution and sanctioning of crimes against the EU budget, and facilitate the recovery** of misused EU funds

❑ PIF directive will be a major part of the law to be applied by the future EPPO

European Public Prosecutor's Office (EPPO)

❑ 12 October 2017 – the regulation establishing the **European Public Prosecutor's Office (EPPO)** was adopted

❑ **22 member states** have been confirmed in the enhanced cooperation on the establishment of the EPPO.

❑ EPPO is envisaged to take up its functions **by the end of 2020.**

❑ The EPPO will be an independent and decentralised prosecution office of the EU, with the competence to investigate, prosecute and bring to judgment crimes against the EU budget, such as fraud, corruption or serious cross-border VAT fraud.

Thank you!

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