Digitization to turbocharge combating corruption in public procurement

Giuseppe Busia (ANAC)

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First, let me thank very much for inviting me and for dedicating the debate of this morning to a so crucial issue for preventing and combating corruption and for ensuring a sustainable development at national and international level.

Public procurement is not only a matter of buying something or building something. It plays a significant role in the creation of **social value**, shaping our societies and economies. It is an instrument to realize public policies. Public procurement activities, depending on how they are regulated, organised, monitored and digitalised, can have positive or negative impacts relating to workers, human rights, environment, consumers and corporate governance, both in the private and public sector.

That means, on one hand, that, when **corruption** affects public procurement, it creates a damage that is not only a problem of money, but also of trust in institutions and of risk for the public policies for which public procurement is used and for the main values at the basis of the society. And it means, on the other hand, that to drive positive change and create a more inclusive and sustainable future, it is essential to **incorporate social considerations into procurement practices**, not only in terms of knowhow, but also in terms of vision.

The challenging objectives of the sustainable development goals of the **2030 agenda** require a people-and-goal-driven approach. This entails a disruptive change of paradigm, also for procurement, as the concept of value for money needs to be wide enough to include people and planet, and prosperity among the objectives of public procurement. We must think about what we buy and from where. Corruption, in a broad meaning, may occur long-before we buy goods, for example in the exploitation of people for the extraction of raw materials or in cases of bribery or, - worse – wars to acquire mining licences or woodlands.

In order to gain awareness of the phenomena that may happen far from our eyes, we must widen our insight into the goods and services we procure, and **digitalization** could be a powerful instrument also for this objective, to foster sustainability of public procurement at international level.

There is a **continuum** between Sustainability, Public Procurement and Digitalization: Digitalization can make the difference. Putting together and combining Sustainability, Public Procurement and Digitalization is now possible thanks to the means provided by the digital revolution. We know that

the amount of information available has exponentially increased, thanks of the spread of the Internet and cloud computing. New technology, data, and communication tools are a powerful ally for transparency, to build and preserve social value. A shared social value, encompassing people, planet and sustainability, meaning the responsible use of resources, thinking about what we leave to the next generations.

We, at the Italian National Anticorruption Authority, have gained this awareness through our experience in the regulation of the public procurement sector in Italy. We have adopted a data driven approach since the first decade of this century and we have experience in monitoring the uptake of green public procurement since 2009, and recently, the inclusion of gender and generational balance clauses in the call for tenders. Thanks to our dual mission of supervising Public Procurement and the prevention of corruption, we are leading the convergence between these two areas. We must keep together aspects such as transparency, the respect of human rights of the environment, and the use of technology to prevent, detect, deter, and counter corruption in procurement, as provided for by Art. 9 of the UNCAC and by CoSP Resolution 10/9.

The main asset utilized by ANAC to support this strategy is our National Database of Public Contracts (BDNCP), that you find described in this slide, has become a powerful tool for governance, for promoting transparency and digitisation of the procurement system. It aggregates data on the procurement procedures of all the contracting authorities (that are several thousand) at federal, regional and municipal levels, and covers more than 60 million procedures from 2007 to the present. The BDNCP promotes transparency and efficiency in the management of public procurement providing a unique reference data source for the public contract market, standardizing the data collected on the life cycle of public contracts and offering public procurement information as open data. The National Procurement Database is also connected to 20 other national databases and other digital government systems, such as the National Institute of Statistics, the Ministry of Justice, the Ministry of Finance and the Tax Agency.

To promote integrity and simplification in public procurement procedures, in the last two years ANAC has set-up a new Virtual Company Dossier that provides Contracting authorities the certificates and data to check the grounds for exclusion and of the selection criteria of the economic operators. The availability of such a service ensures that the national procurement system is based on principles of transparency, competition, and objective criteria in decision-making, and clearly that the responsible and fair behaviour of the enterprises that contract with public administration, also about environment and human rights, is ensured. This system allows authorities to better understand how projects are progressing in the real world, from start to finish.

ANAC's vast data library, and years of experience in data-driven anticorruption have led to annual savings of 10-20% (up to 935 - nine hundred and thirty-five million euros) in the health sector alone. We consider this wealth of information to be a public good, a valuable resource for academics, businesses, data journalists and citizens interested in understanding how public money from national and EU budgets is spent. For this reason, we not only give all citizens the opportunity to access our information, but we also create some tools to give the possibility to easily query our database and process this data.

This experience shows that digitalization of procurement processes offers the possibility to **obtain both simplification and compliance.** In fact, eProcurement platforms guarantee simplification and the concrete application of the Once Only Principle, both for contracting authorities and companies, which brings more efficiency in all the administrative process, and also ensure availability of verified

and in real time data, with enormous benefits for all stakeholders and also for all the bodies in charge of the prevention and fight of corruption.

That show us that **if we want to succeed** in preventing and combating corruption, we must **keep together prevention of corruption and efficiency**. This is the only way to achieve real consensus on anticorruption policies.   To be honest and concrete, we must ask ourselves "Are data and technologies **alone** enough to bring in a new era for **sustainability** procurement?".

Clearly, they are not enough, and they shall not be considered as a silver bullet, since building prosperity requires concretely the alignment between procurement and the values of the stakeholders and the communities that will receive the goods and services that we procure. Also, digitalization is not enough if we do not put intelligence, human and not artificial intelligence our intelligence in the software, in the algorithms. The availability and transparency of data about public procurement, but more in general, about public spending, allows for an inclusive approach to the prevention of corruption. Digitalization is also driving the creation of big data in the public sector and, as we have seen in the private sector, it will increasingly be used as a fundamental intangible asset to improve the efficiency of all activities.

Using **machine learning** and **artificial intelligence**, it is possible to monitor government activities: in particular, AI powered platforms can manage public tenders, ensuring that all submissions are evaluated objectively, reducing risks of the human bias or manipulation that can lead to violations of various rules.

Similarly, Artificial Intelligence (AI) can help automate the tracking and reporting of government spending, making it easier for citizens to hold officials accountable. [Through advanced document analysis and natural language processing (NLP),] Artificial Intelligence (AI) can help to identify in large quantities of documents discrepancies, fraudulent documents, or suspicious changes in legislation and contracts.

In Italy, on one side, a company often finds itself - for example, when building a tunnel - accumulating excavated materials and incurring the associated cost of sending them to landfill. On the other side, a different company, which needs the same materials to fill an embankment or build a road, digs out mountains to obtain them. If a uniform database was available to track the requirements for and availability of the various waste materials, this would lead to significant cost savings for companies and administrations and entail major benefits for the environment, paving the way for good circular economy practices. A further benefit of such a system is the avoidance of incorrect waste management practices, in which criminal infiltration often occurs.

For this reason, we recently suggested the creation of such an eco-sustainable and resource-saving development tool to the Minister of the Environment and Energy Security, also making available ANAC's virtual dossier of economic operators.

This is, once again, a demonstration of the fact that public contracts can be a driver of sustainable and lasting development, even beyond the individual infrastructure that is being constructed. We must all play our part in directing public investments towards these areas.

While the benefits are significant, the transition to digital governance is not without its **challenges.**

Algorithms are fed data, and if that data is biased or unrepresentative, the conclusions drawn may be wrong or unfair. This is particularly worrying in the public sphere, where decisions based on faulty data can have serious consequences for citizens. And there are other big ethical issues related to security, invasion of privacy, perpetuation of bias with a significant social impact.

There is more: when used to take public decisions, Artificial Intelligence (AI) challenges also transparency. It is in fact difficult to explain and justify a public decision made with the help of generative artificial intelligence, just as it is difficult to do so for programmers. This raises issues of adequate reasoning, possibility of referring the case to the Court and more.

In short, we need the benefits of Artificial Intelligence (AI), but we need to avoid the bad consequences.
We must not be afraid of these technologies, but we must manage them. We need to use them, not be used by them. In order to achieve the broad objectives of sustainable public procurement, to reap the full benefits of new technologies and to **build consensus** in the process, it is first necessary to build trust **among all stakeholders**, in the public and private sectors, and in particular to **engage** non-governmental organizations and citizens as they are the ultimate beneficiaries of the procured goods and services.

The engagement of these stakeholders and transparency in all phases of the procurement process are key ingredients also in the fight against corruption.
-        Having not only valuable feedback but also a real participation from the final beneficiaries of procurement, from communities and citizens, is fundamental to go the last mile in fighting corruption and ensuring the effectiveness of the public procurement procedure.
-        These measures contribute to ensuring that the national procurement system is based on principles of transparency, and is supported by administrative practices promoting integrity and avoiding conflict of interest in procurement, encouraging the correct conditions for participation and openness.
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This requires responsible use of data, as well as collective action to build analytical capacity and address concerns in a transparent manner.

Over the last two years, **ANAC has promoted** the empowerment of civil society organizations in the Italian national open government plan. By providing open data and training them in the use of procurement data, linked with other data sources they discovered that it was possible to monitor spending in the Recovery and Resilience Plan even before a dedicated portal was available.
One example of the Power of data interoperability highlighted, through the possibility of monitoring the inclusion of gender and generational balance issues in tenders. Nevertheless, this would not have been possible without the serious engagement of civil society organizations, as data are powerless without a community that exploits them. Monithon was one of the main actors in this action to exploit public procurement data as a common asset: they are present here and can confirm this.

Considering that the supply networks are global, none of our organisations or even our states can achieve these goals and results alone. We all need to work together, nationally and internationally, to improve sustainability. We must promote openness, standardization and interoperability between different platforms to promote the easy sharing of data. Standardization fosters simplification of the whole procurement process and makes it possible to compare data from

different countries to benchmark value for money and avoid corruption at a local level. In addition, a cross-country collaboration, and the sharing of public procurement information between different institutions will help in the fight against trans-national corruption and illicit activities.

The real actors of change remain the people, the citizens: sustainability is not only about green and social procurement, but also about changing profit with prosperity: this is the **main cultural challenge**, a real game changer. We must think and plan for it, as a dimension where people can thrive, where rights can be protected, and our democratic system can grow.

This, then, is the challenge before us, the road we must travel together. Moments of elevated and participatory reflection such as this are surely the best way to ensure that we are not taken by surprise and will be ready to face these new challenges. The future is now, and we must all act together to make it truly sustainable, to make it better for all of us and for all of our citizens.

Thank you very much