

The Good, the Bad and the Ugly: Controlling Corruption in the EU

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Outline of this talk

- ✓ Is corruption a problem in Europe?
- ✓ Is the process of Europeanization capable to change the governance regime of a country if this is different from the European norm of integrity?
- ✓ Consequences of corruption
- ✓ What makes countries vulnerable to corruption?
- ✓ Can we build anticorruption policies with demonstrable impact?



What is corruption?

- ✓ Abuse of PUBLIC authority resulting in undue PRIVATE profit
 - United Nations Convention against Corruption
 - ✓ Any favoritism from the part of a public authority is corrupt as it infringes the norm of equal treatment and entails discrimination
 - ✓ Includes clientelism, bribing, nepotism, profit from conflict of interest, and so on
 - ✓ But not every fraud, tax evasion are corruption as no complicity of public authority exists
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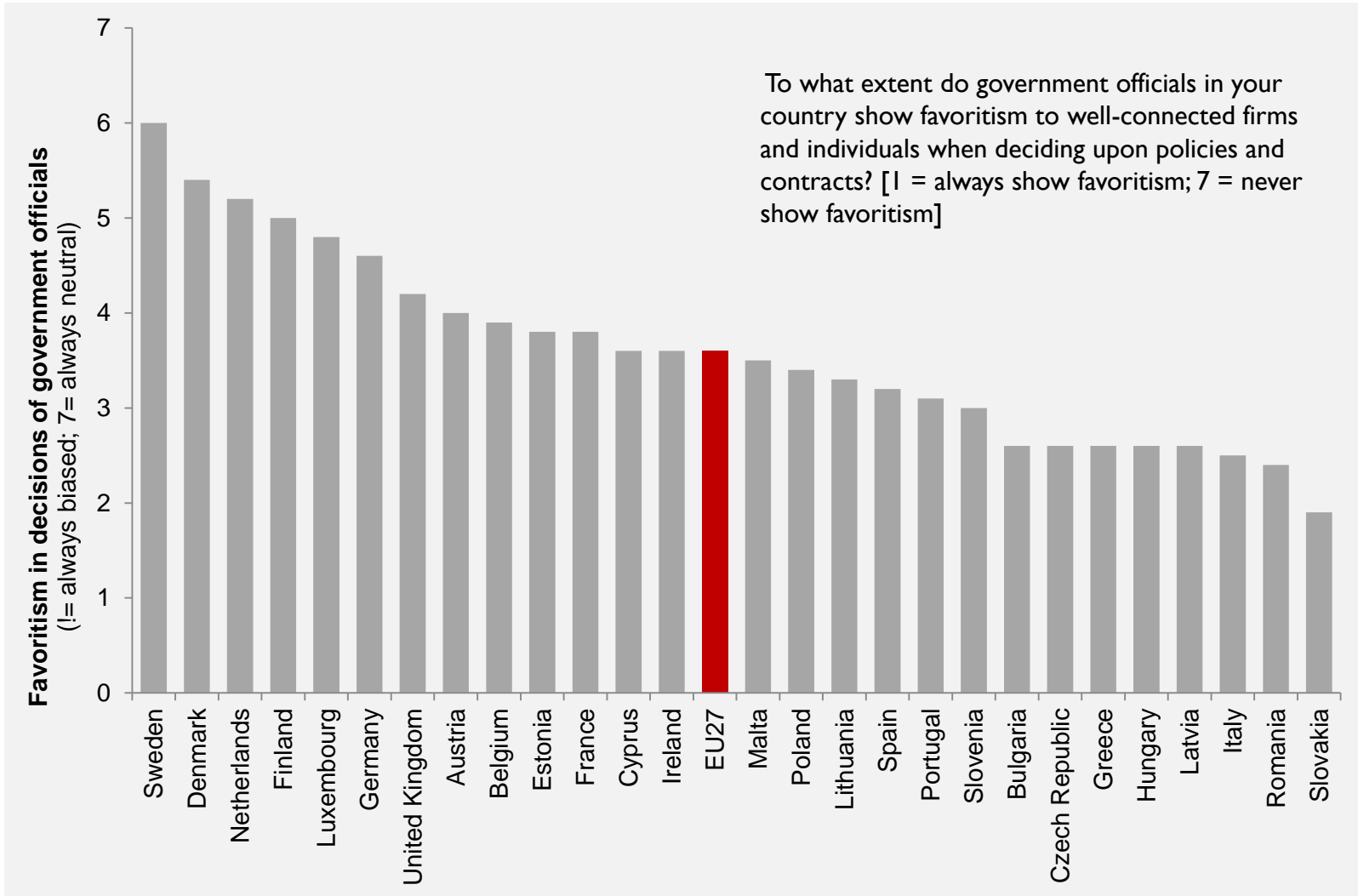


Our instruments

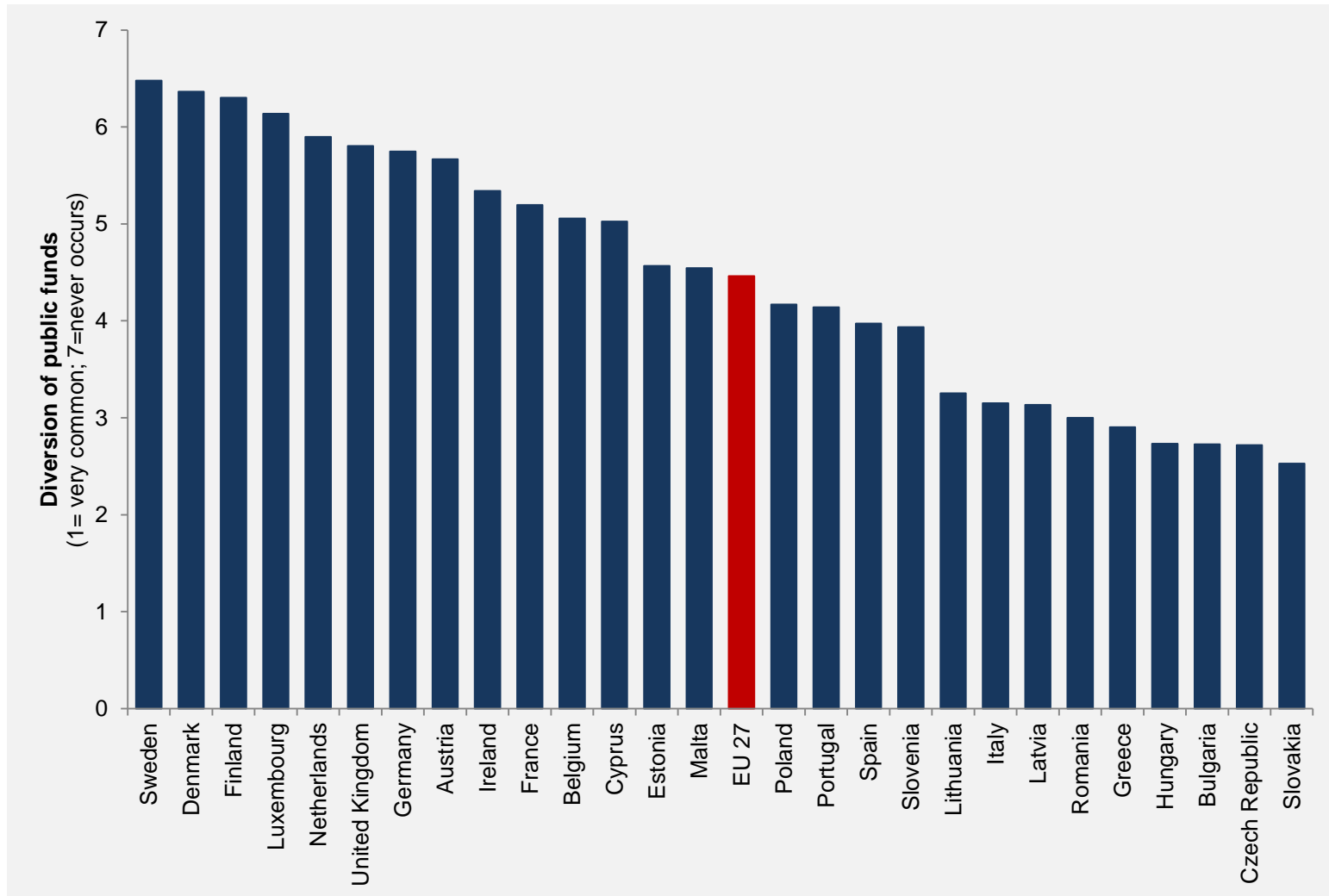
Source and description	Correlation with the others	Comparison across countries	Comparison across time
Aggregate of expert scores- World Bank TI-CPI	Very high with independent sources	Yes Possible with limitations	Yes No
Expert and business survey World Economic Forum -GCR	High	Yes	Yes
Public opinion surveys- Gallup CB Eurobarometer	High on national, regional, local estimates	Yes	Limited
Quality of government expert scores- ICRG, QOG survey	High	Yes	Limited



Government favoritism (World Economic Forum)

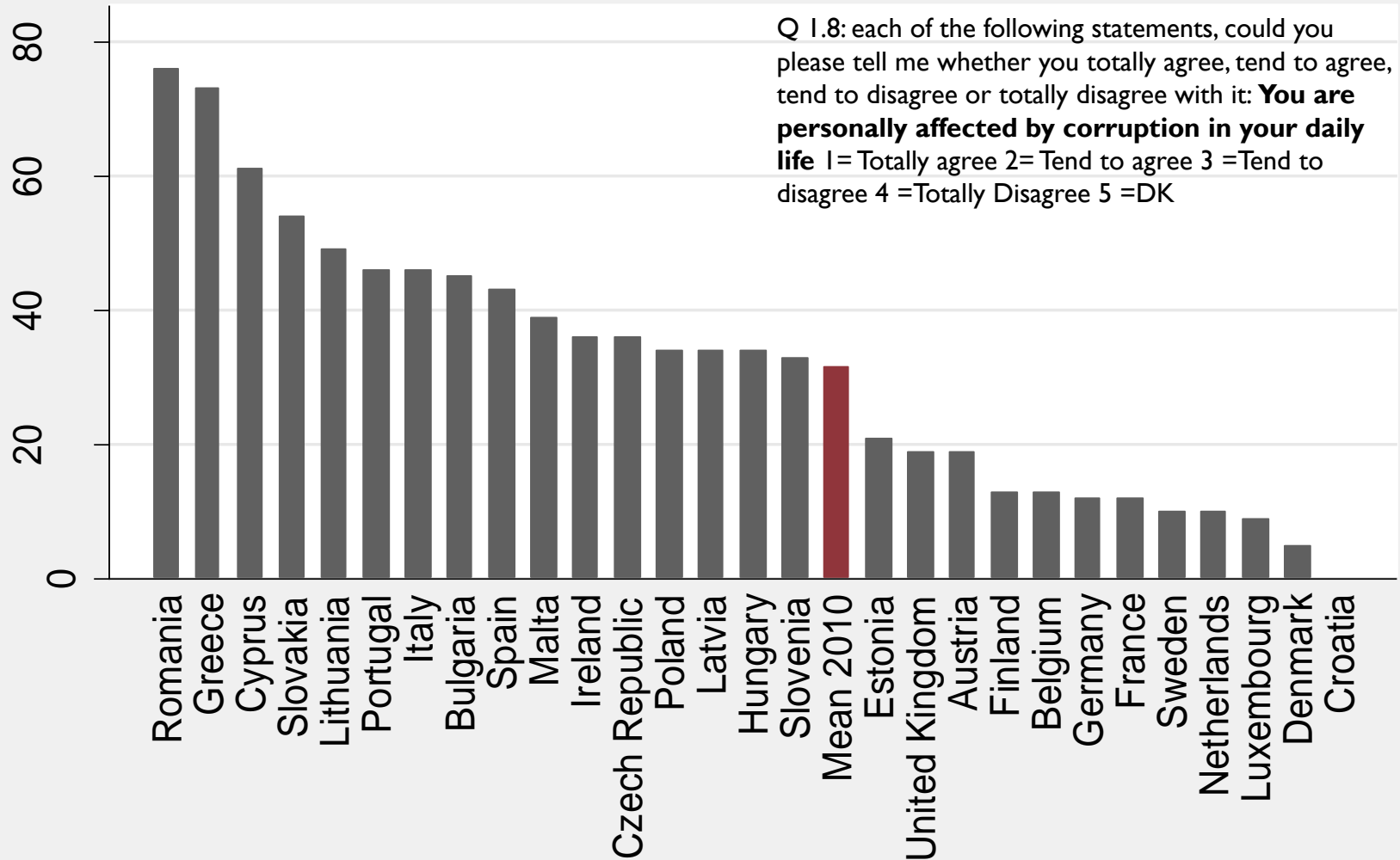


Diversion of Public Funds Due to Corruption (World Economic Forum)

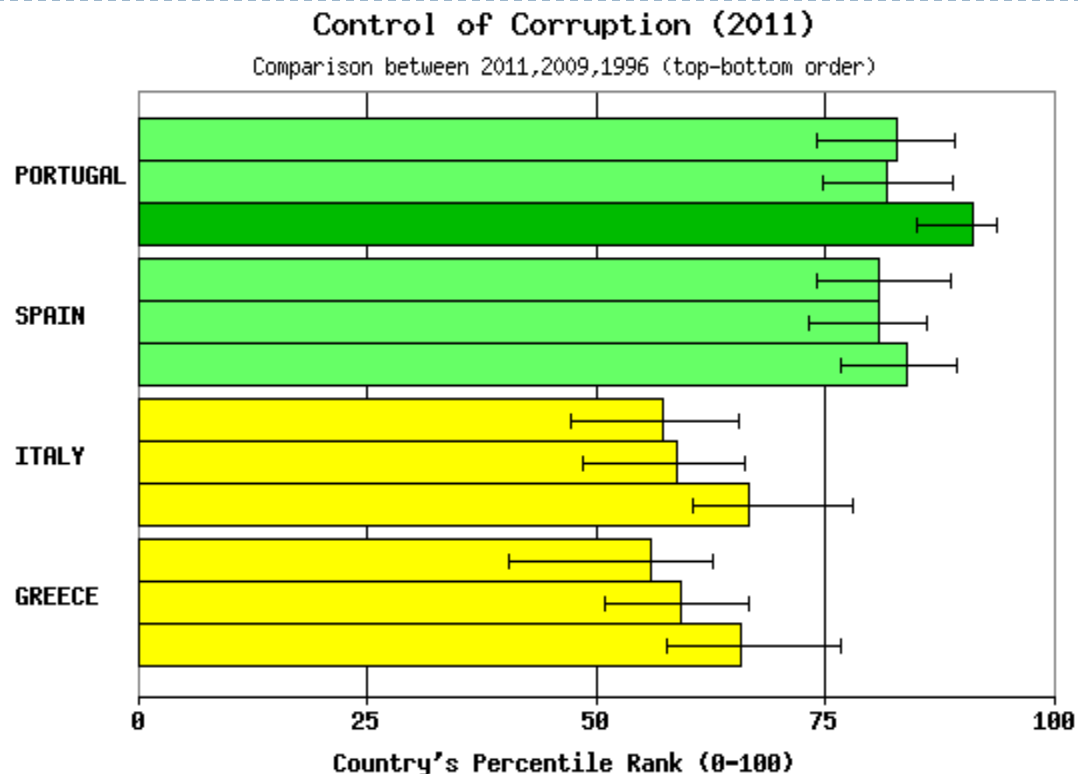


You are personally affected by corruption in your daily life

eb_corr_daily



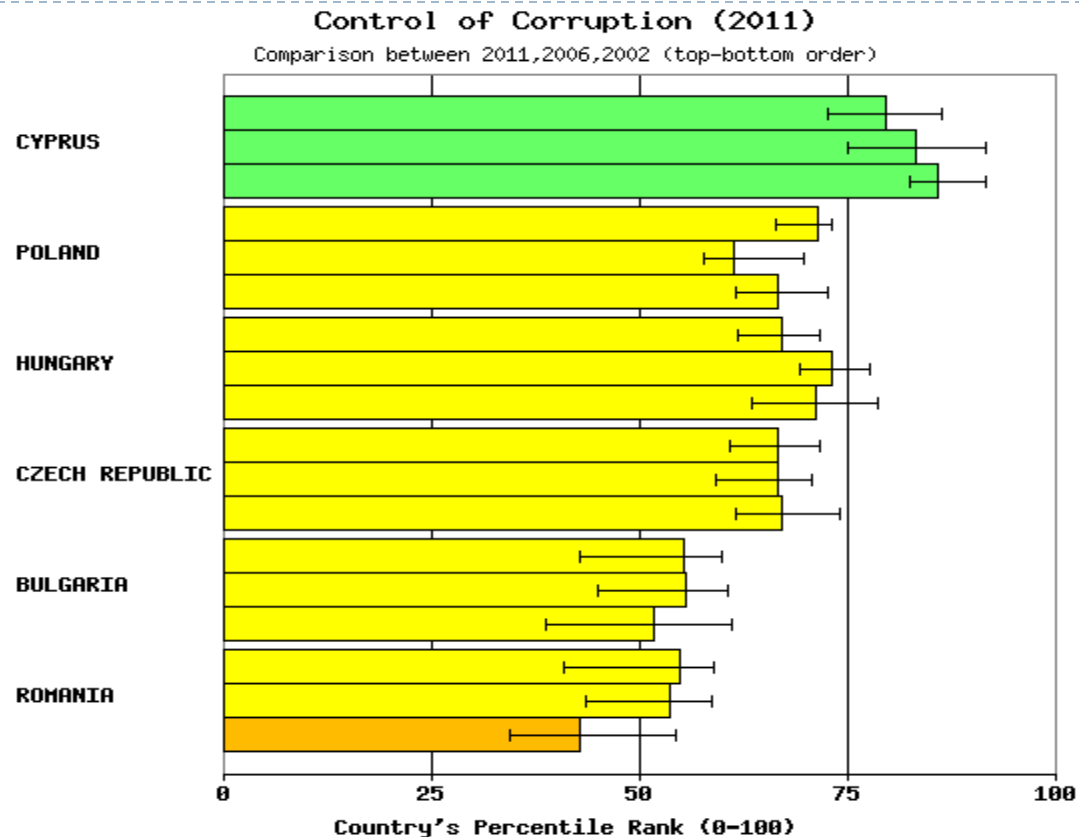
Does Europeanization change governance? Not at first generation



Source: Kaufmann D., A. Kraay, and M. Mastruzzi (2010), The Worldwide Governance Indicators: Methodology and Analytical Issues

Note: The Worldwide Governance Indicators (WGI) are a research dataset summarizing the views on the quality of governance provided by a large number of enterprise, citizen and expert survey respondents in industrial and developing countries. These data are gathered from a number of survey institutes, think tanks, non-governmental organizations, international organizations, and private sector firms. The WGI do not reflect the official views of the World Bank, its Executive Directors, or the countries they represent. The WGI are not used by the World Bank Group to allocate resources.

Current...

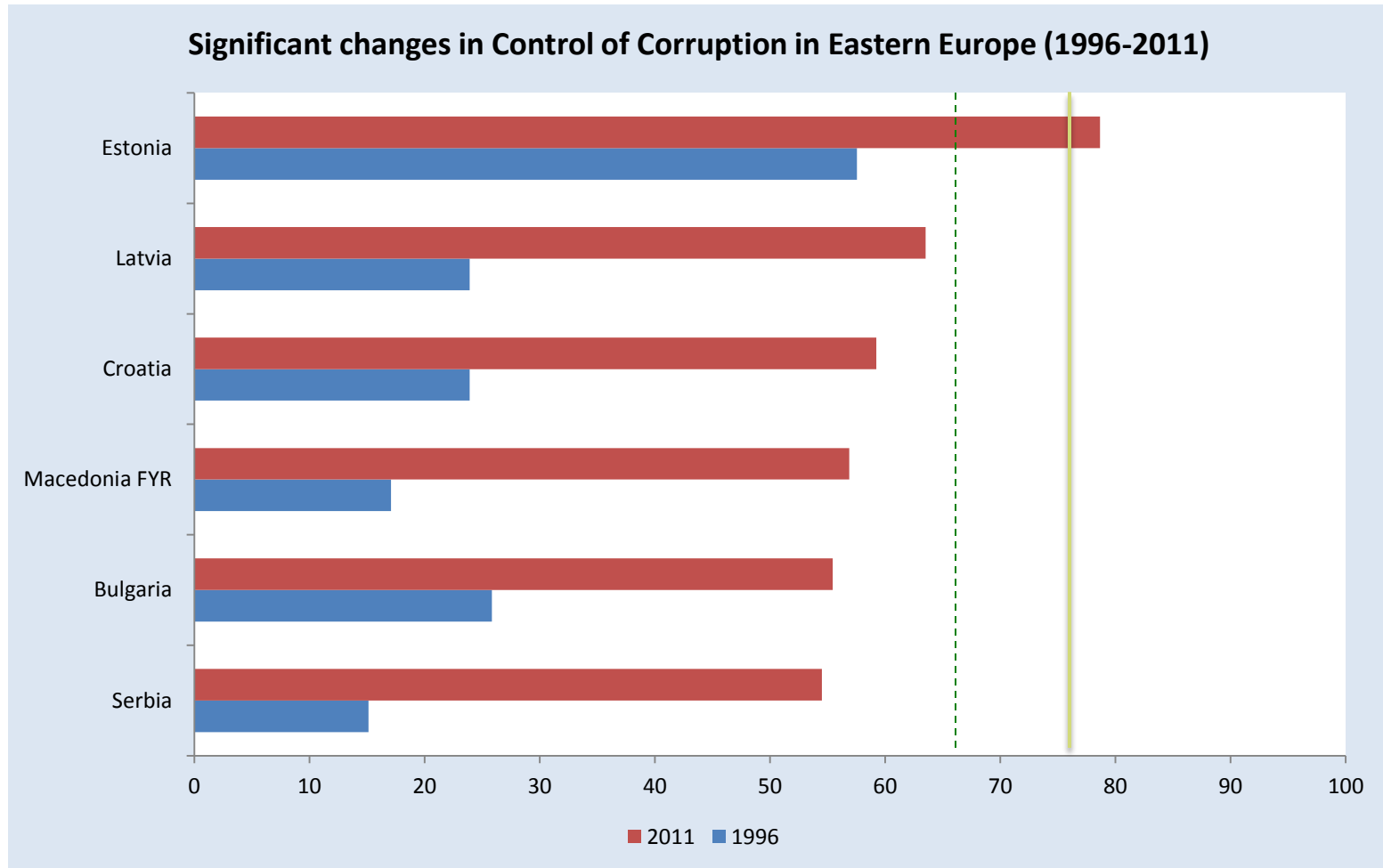


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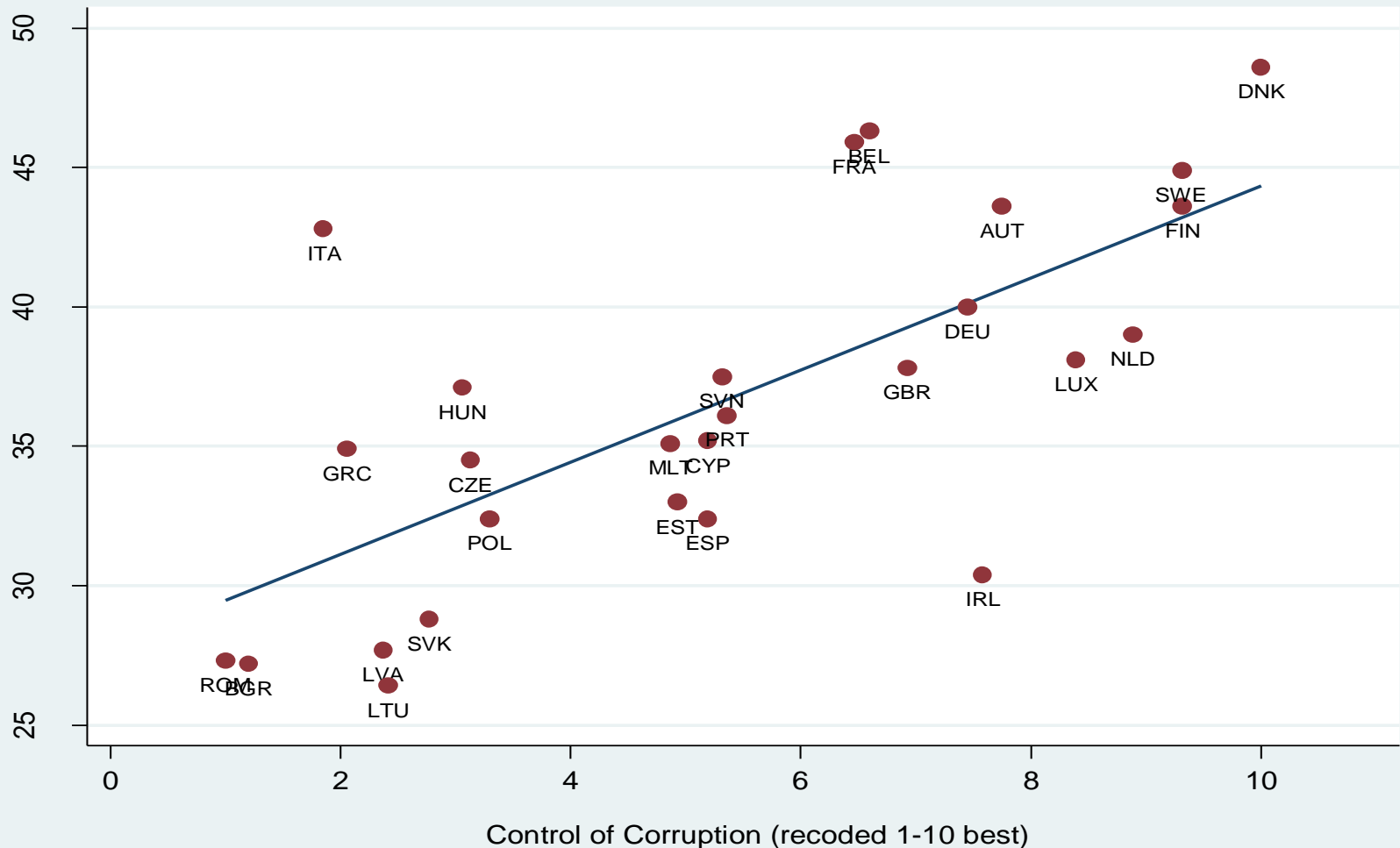
Second generation: jury still out

Central Europe and the Balkans: changes 1996-2011



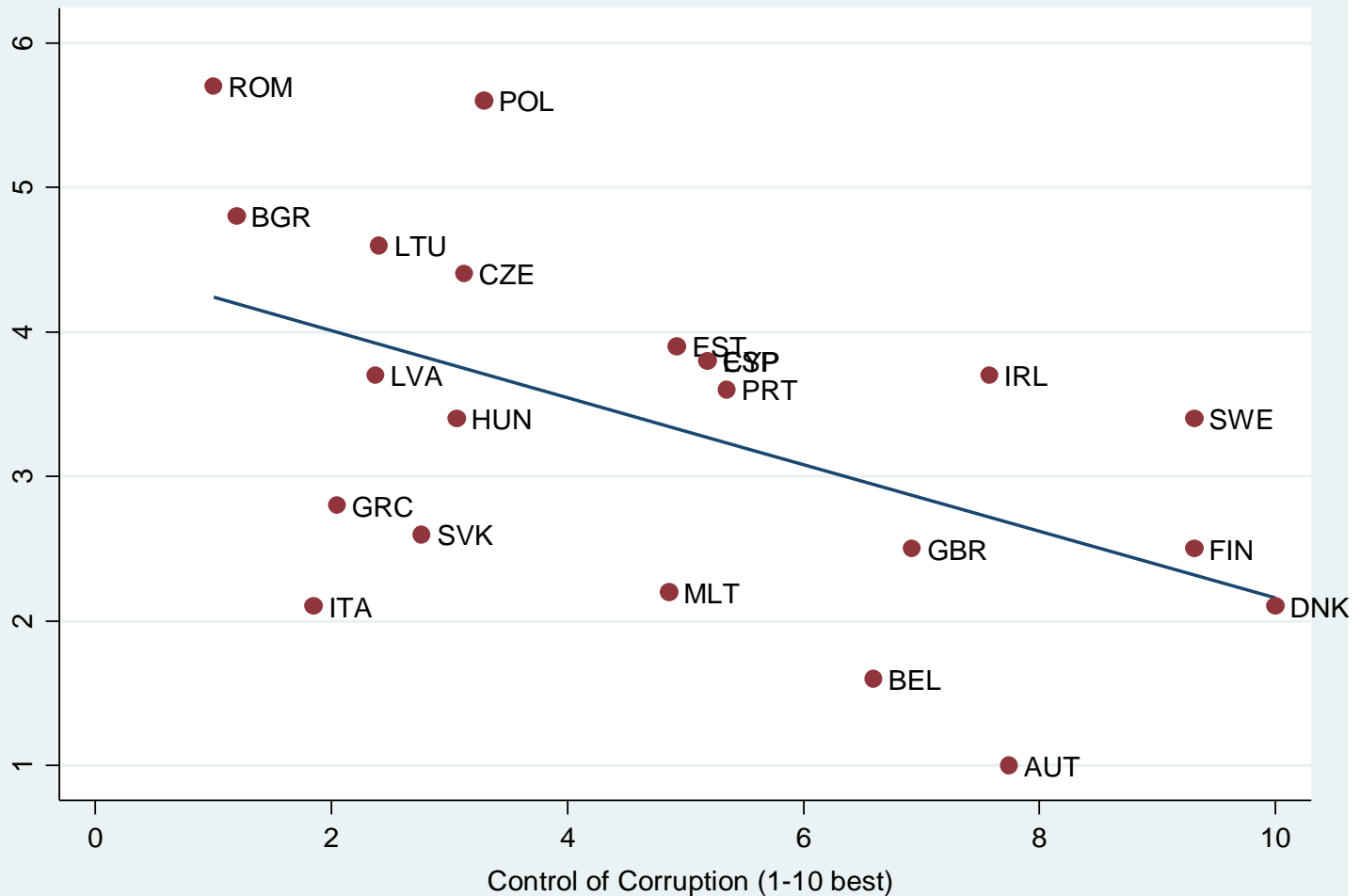
If EU member states would all manage to control corruption at the Danish level, tax collection in Europe would bring in yearly about 323 billion more, so the double of current EU budget for 2013.

Tax collection and Control of Corruption



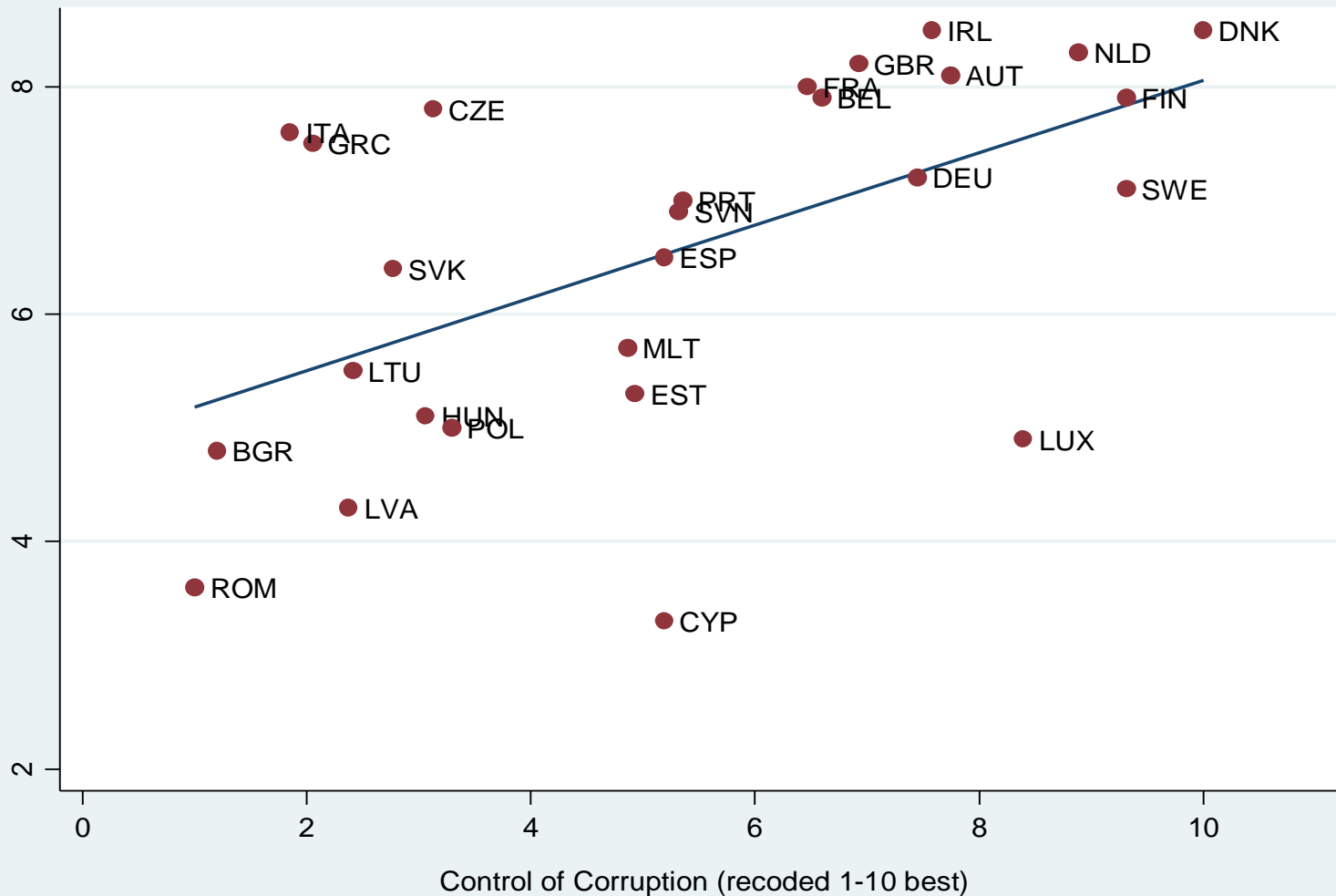
Big discretionary spending...

Gov. investment in capital formation (% of GDP) and Control of Corruption



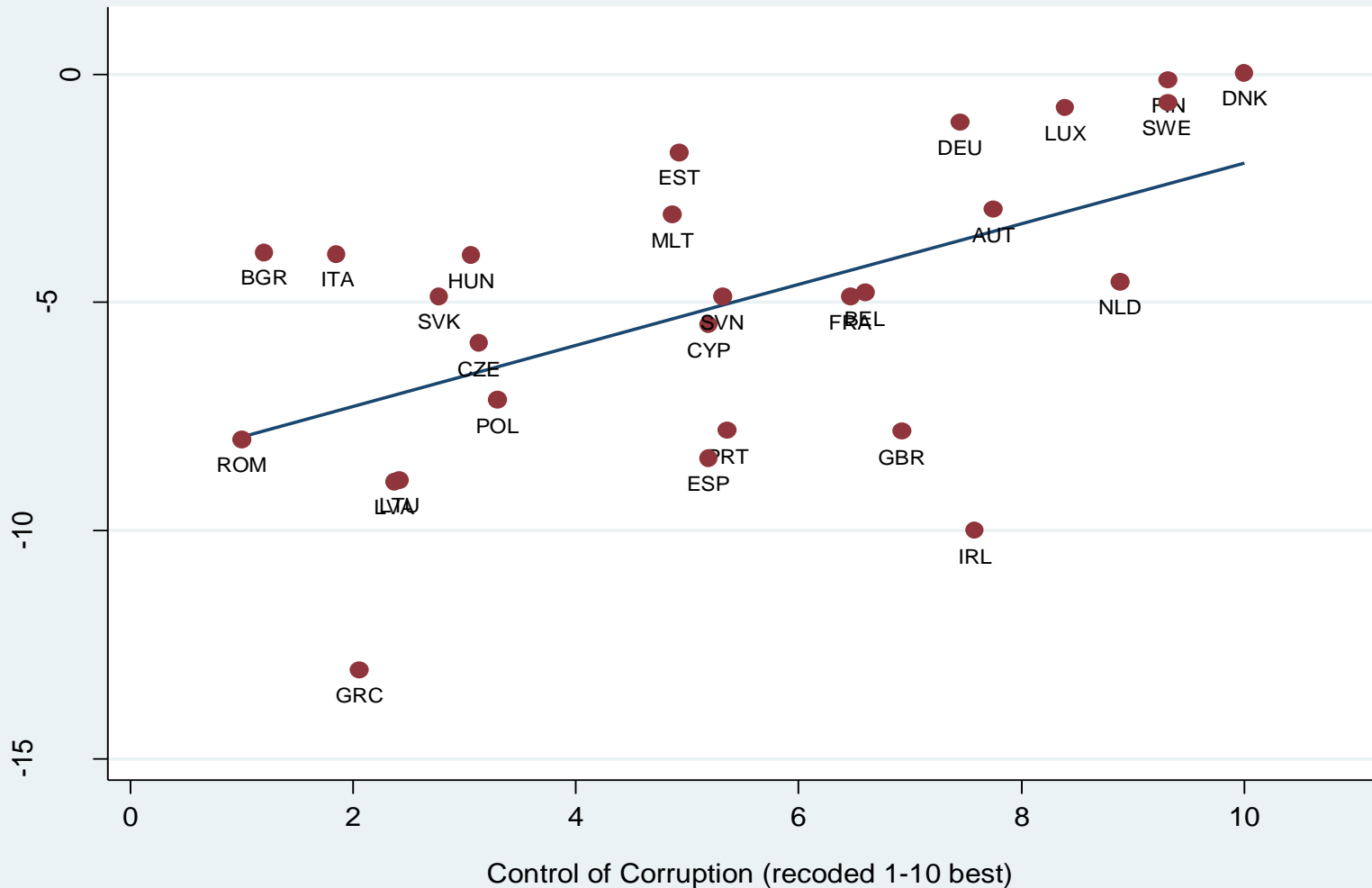
So low social investment (health spending)...

Gov. expenditure on health (% of GDP) and Control of Corruption



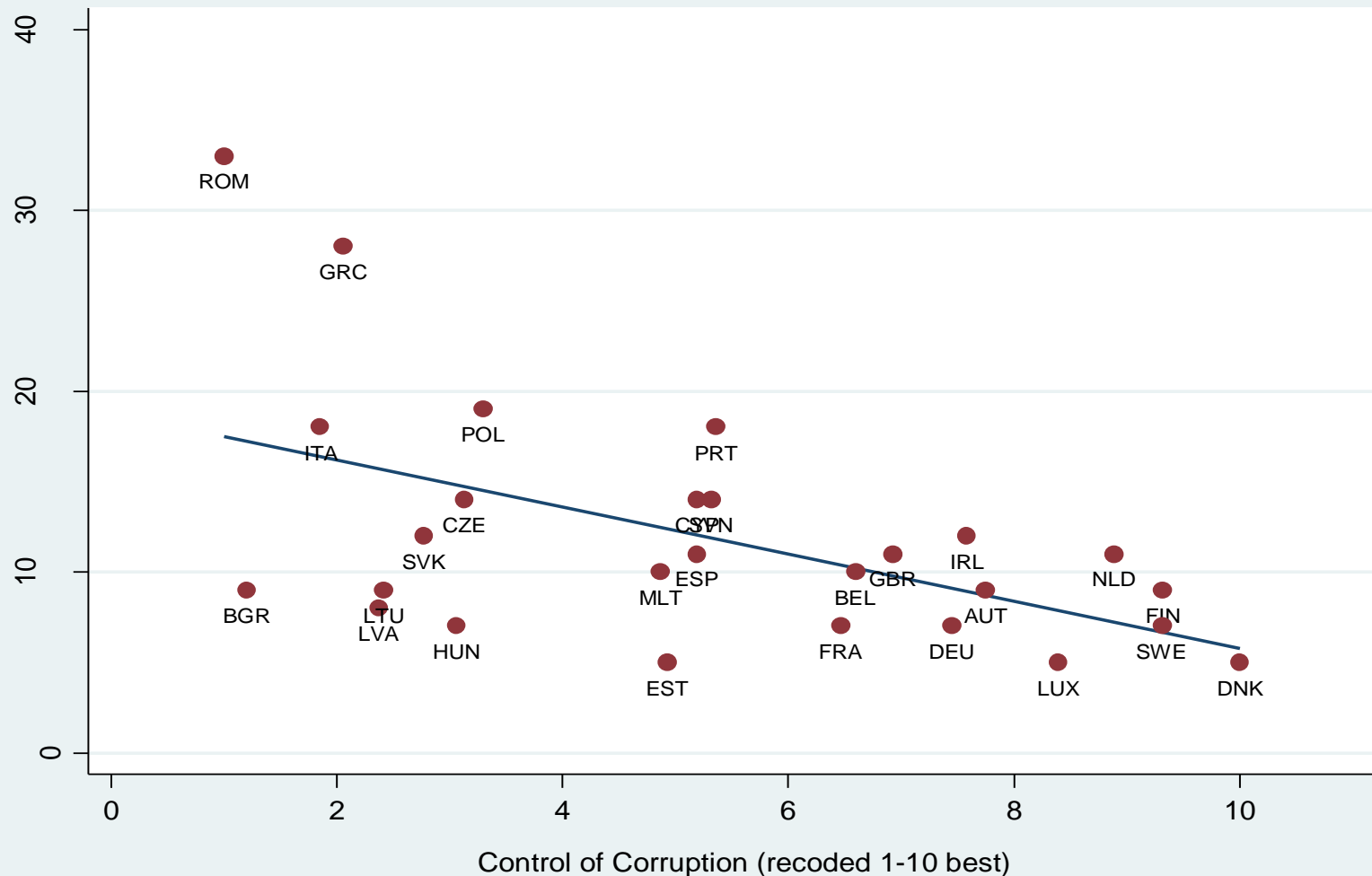
= the recipe for deficit

Gov. budget balance and Control of Corruption



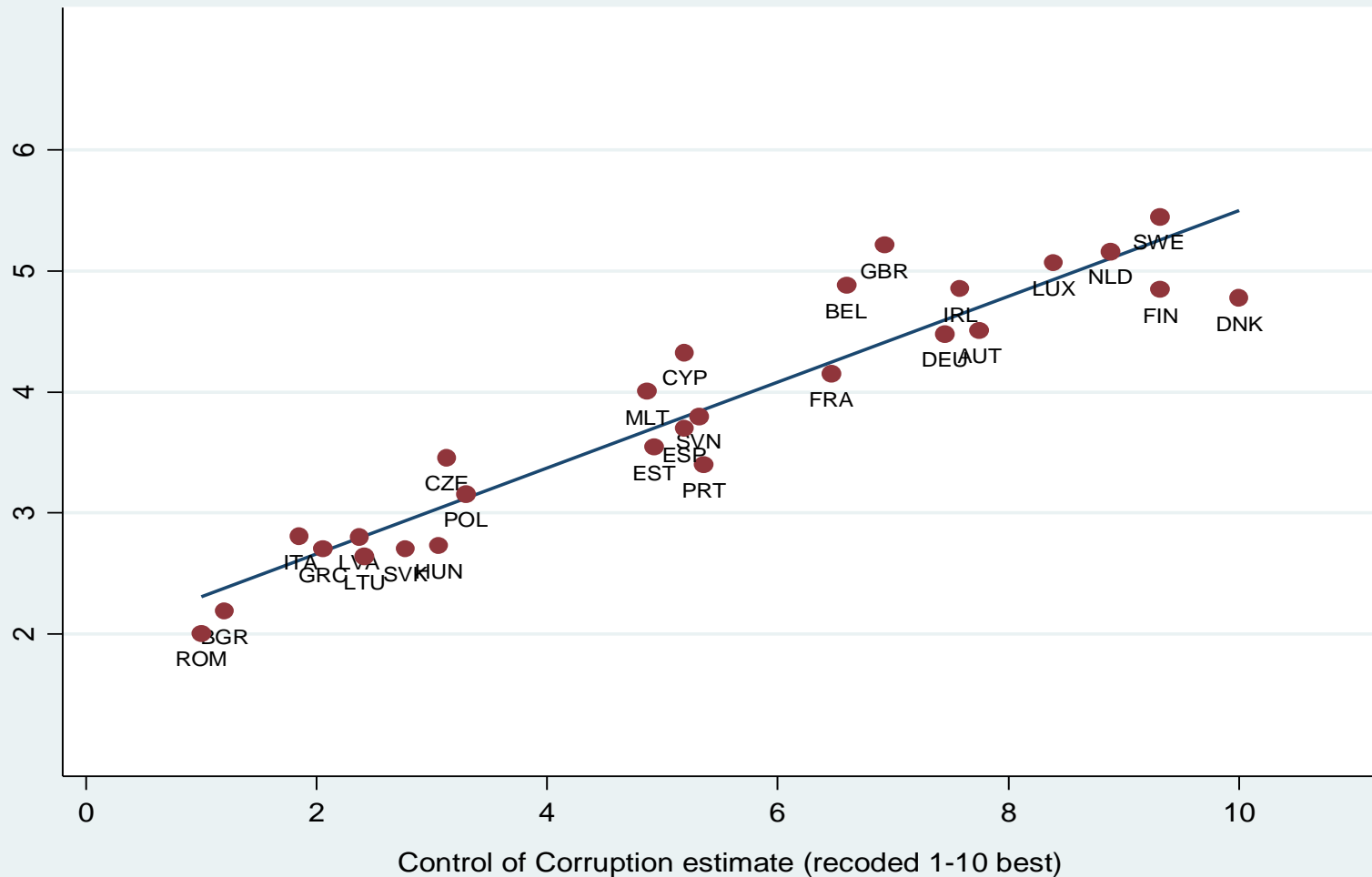
Other negative consequences : vulnerable employment

Vulnerable employment and Control of Corruption



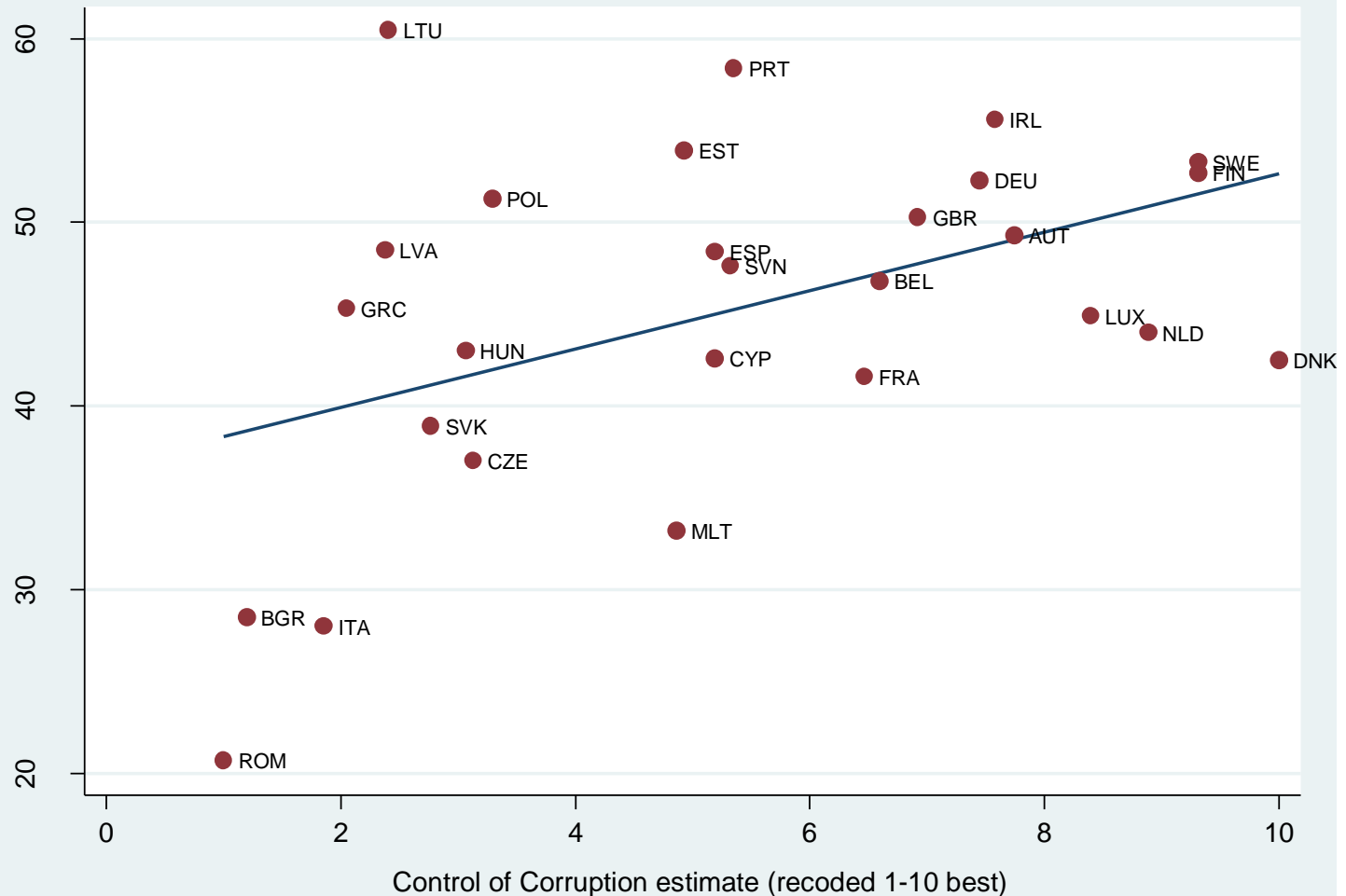
Other negative consequences: brain drain

Brain-drain and Control of Corruption



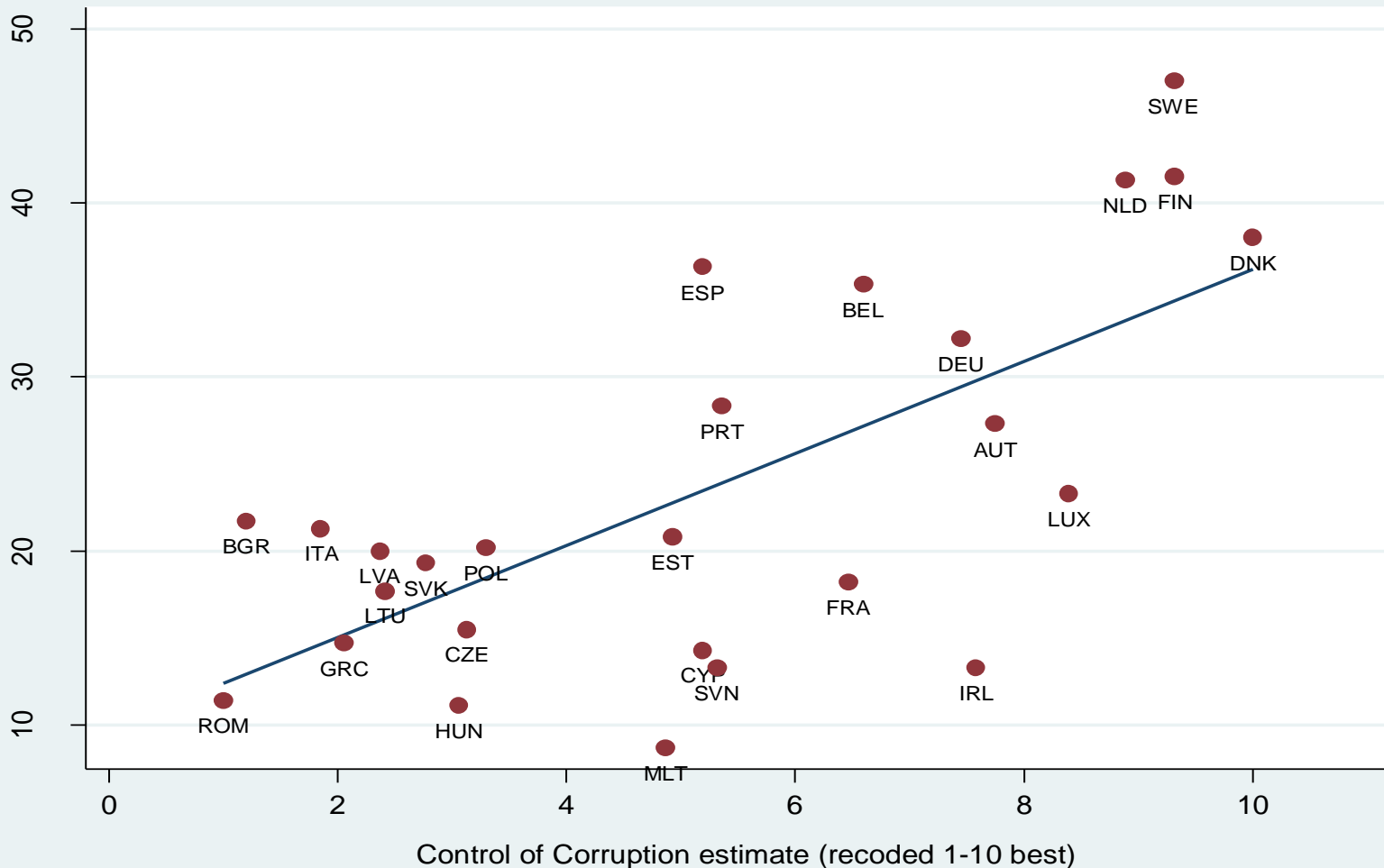
EU funds abortion and corruption

EU funds absorbed and control of corruption

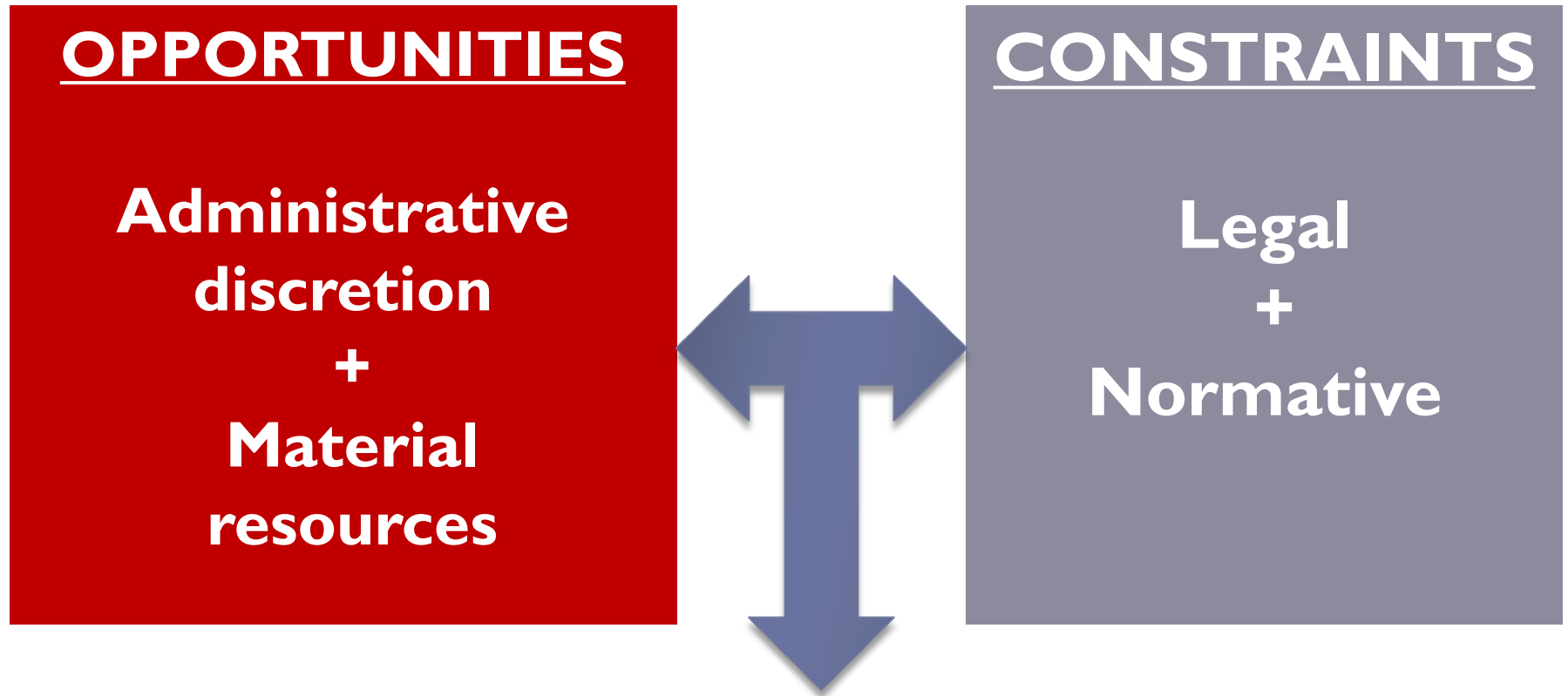


Other negative consequences : gender inequality

Women in parliament and Control of Corruption



What explains variation across EU countries? Our model



Corruption |—————| **Control of corruption**

Control of corruption = capacity of a society to keep corruption the exception

Our model

OPPORTUNITIES

Red tape

Lack of transparency

Large pool of public jobs

Large amounts of discretionary funds
= govt investment,
natural resources

CONSTRAINTS

Well-performing judiciary

Good audit

Independent media

Active civil society

Demanding voters

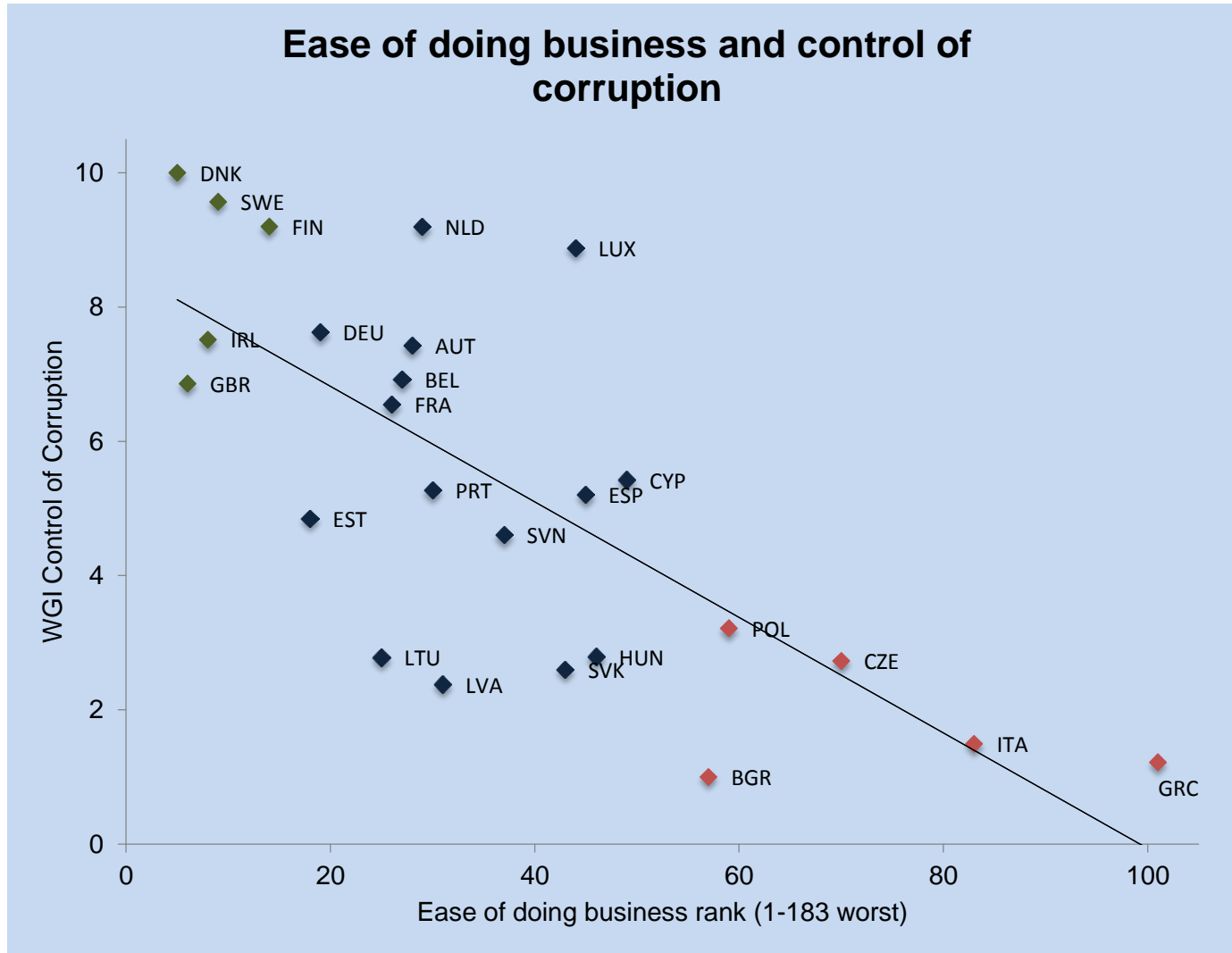


Corruption

Control of corruption

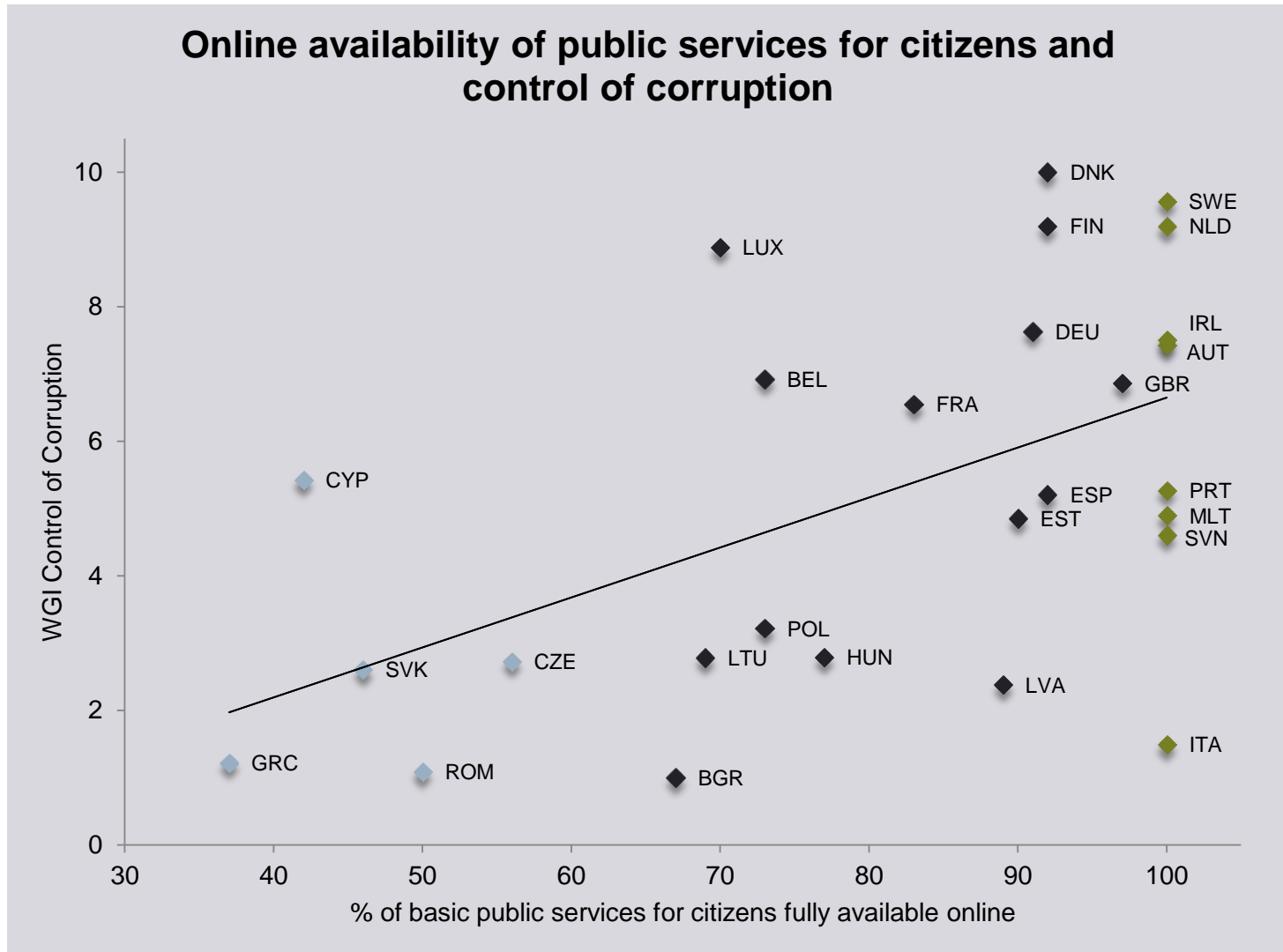
Opportunities - Red tape

Ease of doing business

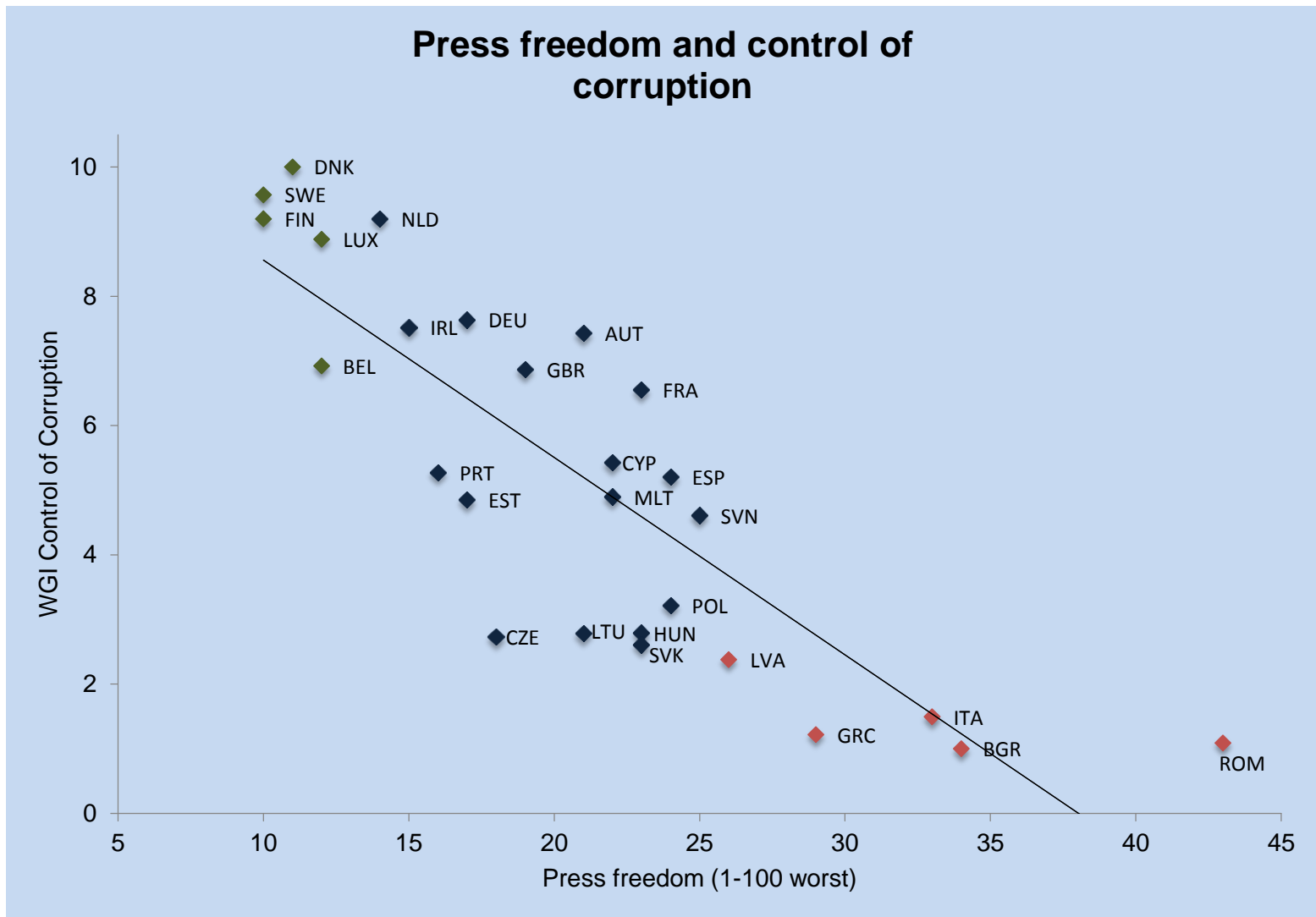


Opportunities - transparency:

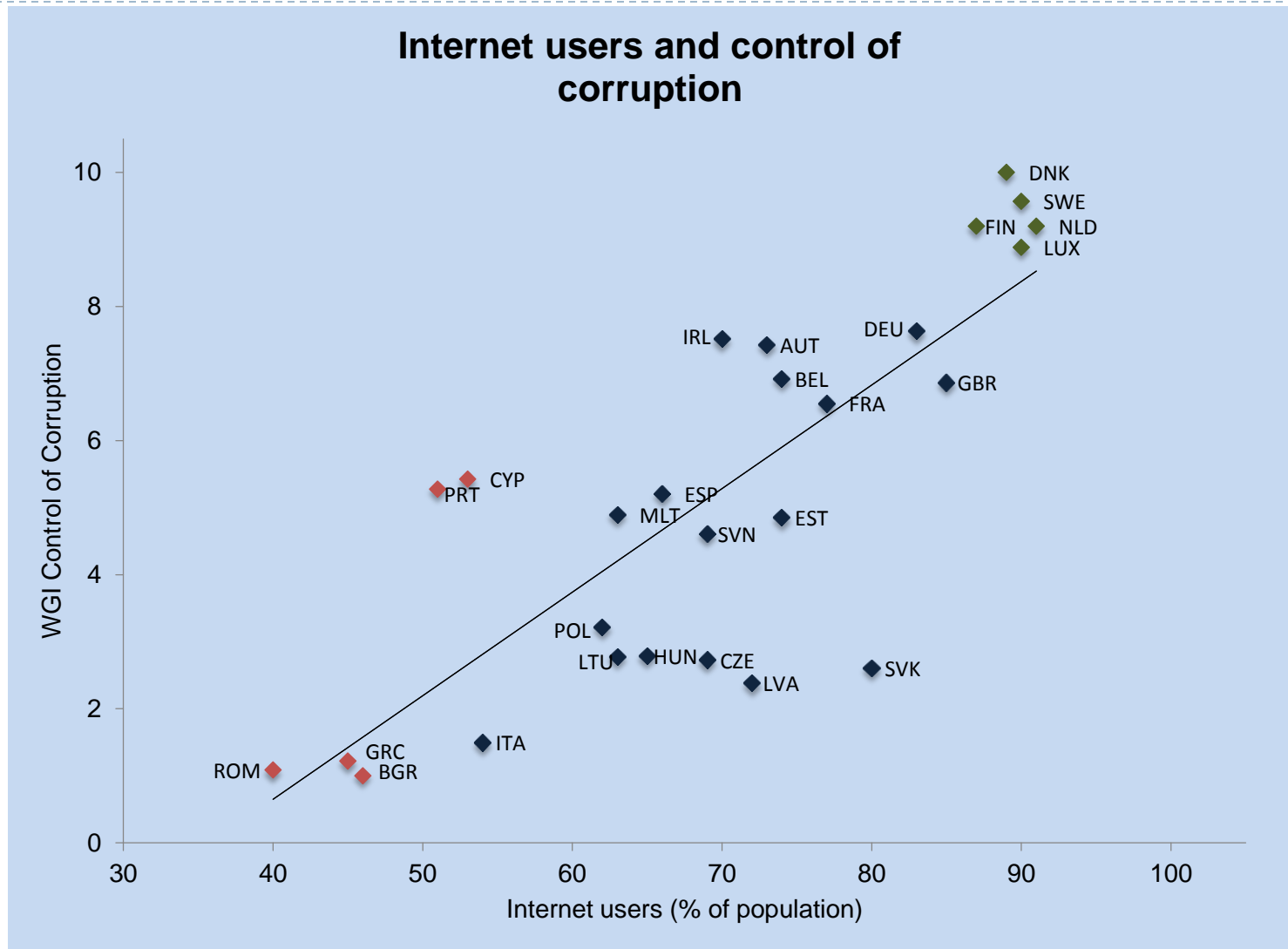
Online availability of 20 basic public services



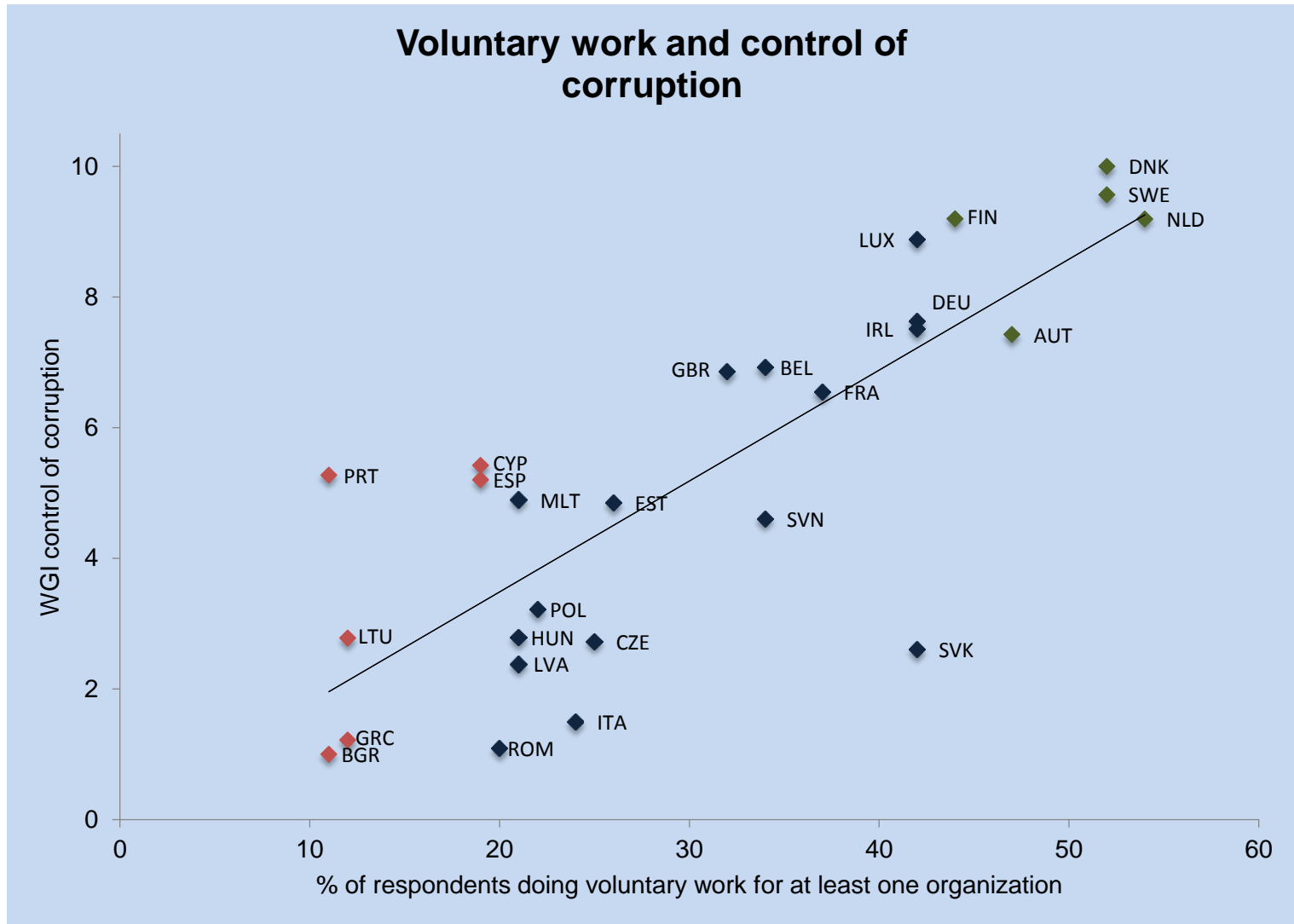
Constraints: Freedom of the press



Constraints: critical citizens



Constraints: Civil society



What does not work and should not be expected to in the medium term

- ▶ **Uniformity:** Control of corruption in Europe is achieved in a variety of ways and we should not aim for institutional uniformity
- ▶ **Silver bullets:** Countries which have adopted Judicial Councils, anticorruption agencies, restrictive party financing have not progressed more as yet
- ▶ **Judicial anticorruption** where rule of law is weak
- ▶ **Unenforced legislation;** current huge implementation gap (between legislation and practice) has gone through the roof in Bulgaria, Romania, Macedonia, Serbia and Kosovo – Global Integrity Report (30-60%) – enforcement rather than new legislation is needed, monitoring, etc.



Corruption risk in the EU

Constraints	Opportunities			
		Low		High
	High	Austria	Ireland	Cyprus
Belgium	Luxembourg	Estonia		
Denmark	Malta	Hungary		
Finland	Netherlands	Lithuania		
France	Sweden			
Germany	UK			
Low	Italy		Bulgaria	
Portugal		Czech R		
Slovakia		Greece		
Slovenia		Latvia		
Spain		Poland		
		Romania		



What to do: reduce resources and opportunities

- Cut red tape to reduce administrative discretion (time to import, export, pay taxes and so on)
- Streamline regulation to reduce informality
- Increase electronic access to all public services and foster more Internet access, usage
- Increase transparency, especially fiscal transparency (online expense tracking systems become fast best practice)
- Far more transparency needed for EU funds
- Publish all affiliations, relations (lobby registers) accounts of officials to prevent conflict of interest, fiscal evasion and corruption

Cyprus

Estonia

Hungary

Lithuania

Bulgaria

Czech
Republic

Greece

Latvia

Poland

Italy

Romania



What to do: Increase constraints, but not just legal constraints

Italy
Portugal
Slovakia
Slovenia
Spain
Bulgaria
Czech Republic
Greece
Latvia
Poland
Romania

- Protect media from capture (transparency of ownership, govt advertising)
- Protect and encourage civil society and Internet media watchdogs
- Adopt social accountability designs to protect EU funds (involve local stakeholders and consumers in the planning and monitoring of EU funds)
- Develop judicial capacity
- Develop further audit and monitoring capacity

