

## Debate 4 – Can we Eradicate Corruption?

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Corruption varies considerably from one country to another. In spite of measurement problems, studies show a positive correlation between corruption and poverty. Even if it does not prove that corruption is at the origin of poverty, corruption lives as a pest on the smooth running of institutions and the formal economy. It contributes to the climate of mistrust towards elites and politicians. The barometer 2017 on corruption in the world, published by Transparency International (TI), reveals that 57 % of respondents worldwide estimate that their government does not effectively fight this plague. Worse, they think that the political life and public life – through elected representatives, senior officials and representatives of the government – are some of the most corrupt circles, with the business circles. This opinion is not only shared by those who are forced to pay bribes regularly, as African people, but also by those who never pay them, as French or American people. This global mistrust before the political class is disturbing at a time when the western democracies are almost everywhere faced with growing populisms.

Corruption in rich countries generally involves considerable sums of money and high-ranking actors (senior officials, politicians, company directors). In poor countries, this corruption of elites exists, but it is coupled with a generalized form of corruption which involves modest sums of money and bureaucrats. Thus, according to Transparency International, one in four citizens in the world has paid a bribe to access a public service during the past year.

Within the European Union the annual cost of corruption ranges between 179 and 990 billion euros according to figures published in 2016 by the European parliament (from 1.15 to 6.3 % of the European GDP). This is comparable to figures published by the IMF regarding misuses of public money which represent more than 5 % of the world GDP.

If everybody, or almost, agrees on the necessity of fighting the corruption, debate arises when it comes to discussing the means to do so. On the one hand, we do not fight in the same way insignificant and major corruption, extortion and capture. Most poor countries' governments - because of their weakness and limited fiscal capacity - are unable to offer a decent salary to their state employees. In the absence of surveillance and incentives, the latter complete their poor salaries with bribes. This type of corruption, which is very often similar to the extortion, is relatively easy to fight. It involves paying state employees decently and watching them, for example by relying on users' reviews. New technologies and social networks can be mobilized for that purpose.

Regarding large-scale corruption, it is sometimes difficult to draw the line between capture, lobbying and corruption. Certain practices, such as the promise of being hired in a large group at the end of a mandate in the regulatory sector or elect representatives in exchange for favourable decisions ("revolving doors"), are difficult to detect because payments are postponed in time. A period of compulsory deficiency between public employment and private employment in the sector at issue may limit the problem. For corruption, it is also difficult to detect because companies, as public representatives, have a mutual interest in the secret. With capture in procurement contracts, both parts win in the corrupt exchange. Those who lose are absentees: the taxpayers and the users. Besides, taxpayers have to mop the additional costs of production connected to the fact that markets are not awarded to the most effective companies, but to those who offer the biggest envelopes. In the end, the bill is high. According to a recent study the cost of the corruption varies between 4 % and 10 % of the total amount of public purchases. According to the IMF, the cost of corruption in procurement

contracts would be approximately 2 % of the world GDP. According to the countries' ranking of TI, France, ranking 21<sup>st</sup> out of 180 countries, would be more impacted than other countries in the EU.

Certain rules limit the problem, such as abolishing the immunity of certain elected representatives for the hidden financing of political parties, maintaining a list of excluded companies (even if only temporarily) from procurement contracts, when they are involved in corruption or collusion cases, to generalize the practice of "e-procurement". To use the IT tool to spread calls for tender, collect the submissions, publish the winners online, indeed allows to decrease management costs, to increase the transparency and the level of market competition. There is also a need to limit and strictly regulate the use of exceptional procedures, such as over-the-counter, non-competitive contracts, for large markets. By way of illustration, Finland, which is one of the countries with the least corruption in the world, has a negotiated market rate close to 0. Then it is necessary to maintain a database, accessible to all, which lists at national level market information (volume, amounts, number of bidders, winner, etc.). Disseminating this information is a guarantee of transparency. Most importantly, it is the only way for the community to identify price differentials by comparing the costs of comparable goods and services. Finally, those who are in charge of purchasing should have incentives to save public money through bonuses rewarding their performance, as is done for example in England. The Convention on Combating Bribery of Foreign Public Officials in International Business Transactions adopted at the OECD in 1997 is an international agreement which, in January 2017, was ratified by 41 countries, including France, in order to fight corruption. But little progress has been made in its implementation in our country.

Some examples show that this problem can be effectively addressed. It requires strong political will. But often those who benefit from corruption are elected officials and public representatives. It seems illusory to expect them to correct a problem they have created. The solution is to create an independent authority, somewhat like the competition authorities, whose mission is to tackle and eradicate corruption. If this authority is truly independent and well endowed, it can make a real contribution to improving public procurement and political life, as the example of Singapore and Hong Kong, who eradicated corruption in the space of 50 years shows.

Finally, there is the instrumentalization of the fight against corruption: does the will to denounce corruption sometimes not serve as a pretext for economic interference or internal political struggles? Finally, do mechanisms of surveillance (automatic data exchange, publication of the income of our political representatives, etc.) and punishment (landing, fine, prison) reduce or displace corruption?