

# Corruption – A Major Global Problem

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## **Abstract**

Corruption in the public sector is seen by citizens and public authorities as a major problem for the of system integrity across Europe.

The aim of the work was to perform a comparative analysis in terms of corruption in EU globally in 2014, with emphasis on institutionalized corruption. Variables were used on the dynamics of corruption, such as the index of perception of corruption and the corruption level in public institutions. In this regard, we used surveys initiated by Transparency International, Global Integrity and the European Commission and DNA. It is not to be neglected the answer to the question *Why have you not reported an incident of corruption?* 58% of Romanians said it would not make any difference, and 20% of respondents said they fear the consequences.

Comprehensive anti-corruption policy is expressed in the most efficient manner, through a national program to prevent corruption, articulated in sector prevention strategies directed towards the most vulnerable targets: politics, administration and justice.

**Keywords:** public institutions, transparency, corruption, perception index of corruption, the corruption level in institutions.

## **1. Introduction**

Corruption is a negative phenomenon that has become permanent in society, generalized across all levels of administration of control bodies with major impact in the increase of tax evasion and tax arrears having a negative influence on both the level of taxation and on economic growth. Many countries around the world are affected by the deeply entrenched corruption that hinders economic development, undermines democracy and harms justice. According to the statements made by Cecilia Malmström, Commissioner for Home Affairs, *Member States have made many efforts in recent years to combat corruption, but the 2014 report shows that they are not enough even by far*. Corruption and fraud are found in all systems regardless of their form both public and private, either well or poorly funded.

According to statements made by Swardt, "the major world economies should lead by the power of the example, ensuring that their institutions are fully transparent and their leaders are held accountable". Most institutions still do not demonstrate that they had taken enough action on increasing transparency, since they published all too little information about anti-corruption methods and systems applied.

Currently, it is observed a quality degradation on ensuring *transparency of documents* and *transparency of decisions* and also a major absence in the consultation and innovation initiatives that should encourage greater participation. All these failures do not lead only to an increase in distrust and suspicion but also to encourage corruption, though undermining good governance, undermining the private sector and distorting financial markets. According to the Global Corruption Barometer, the

components of the public sector (education, health care, tax system, public services and customs) are still affected by corruption.

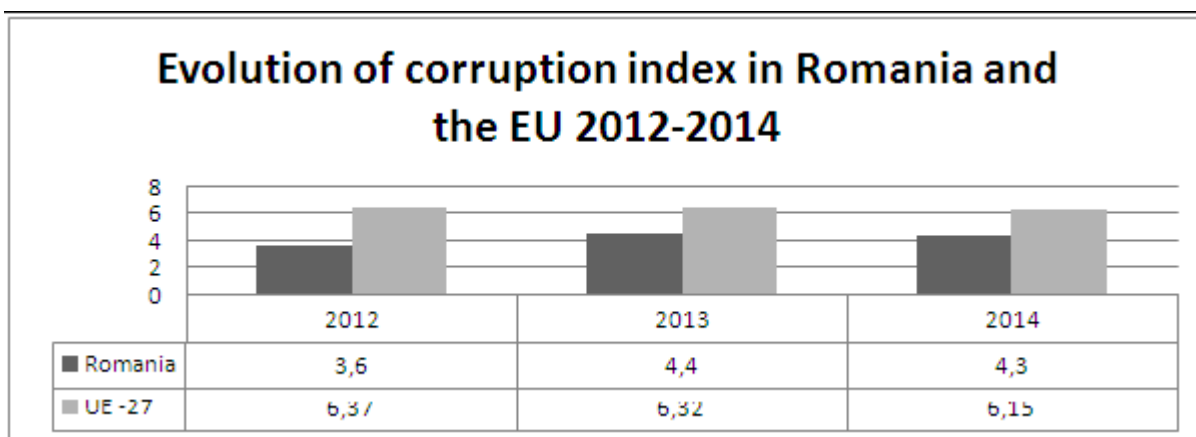
*Corruption can be compared with the spread of epidemics, but it might be less dangerous if a part of the population would be vaccinated. The high incidence of acts of corruption in the local government is reflected in the perception of citizens and in independent evaluations conducted until now.*

## 2. Research Methodology

This paper combines qualitative and quantitative research, using specific methods, document analysis and content analysis. To achieve the objectives we used a series of bibliographical sources consisting of specialized books, accounting, fiscal and legal regulations, studies and articles published in various national and international bodies in the field. To this end, we collected data from Transparency International Global Corruption Barometer, Global Integrity and the European Commission, the European Anti-Fraud Office, the National Anticorruption Directorate (DNA) in order to make a comparative analysis, focus group type, regarding corruption globally in 2014. There were used variables on the dynamics of corruption, such as corruption perception index and the level of corruption in public institutions.

## 3. Results of the analysis

In order to determine the impact of corruption on public institutions, we used global indicators of corruption, but with direct impact on the economy, such as the index of perception of corruption and the corruption level in public institutions. Corruption Perception Index (CPI) is an indicator that reflects the view of business people and analysts from around the world, including experts in the evaluated countries. (Graph. 1) According to the Corruption Perception Index 2014 developed by Transparency International more than two-thirds of the 177 countries got a score less than 50 points on a scale from 0 (perceived to be highly corrupt) to 100 (perceived as very clean).



Graph. 1 Evolution of corruption index in Romania and the EU 2012-2014 (IPC)

Made by the authors.

Source: Transparency International 2015

Romania recorded between the years 2012-2013 a significant increase in Corruption Perception Index, 2012 being the first year when Romania has seen a significant increase in score (it climbed nine positions) and position in the ranking (No. 66). Instead, in 2014 it declined from 4.4 to 4.3 points resulting in a lower perception of corruption by 0.1. thus affecting its ranking, it climbed on the 69

position in the top. Regarding the other countries Romania is on the same position as Italy (4.3 points), but behind some countries like Slovakia (4.7), Croatia (4.8) and Hungary (5.4).

Comparing the IPC evolution of Romania to the EU -27 average, during the last 7 years we see a significant reduction of the gap from 3.69 in 2006 to 1.85 in 2014. Denmark, Finland, New Zealand are all in the first place, recording the highest score CPI of 9.1 points owing to the economic growth and the rules governing the behavior of people in public office. Afghanistan, North Korea and Somalia rank last with a score of 0.8 due to lack of responsible leadership of effective public institutions and lack of concern for corruption.

#### 4. The level of corruption in institutions

Corruption is frequent in many areas, from political parties, parliament, the judiciary system, to the police, health system, education, etc. (*Table 1*) On a scale of 1 to 5.0 political parties fall into a level of "extremely corrupt " recording a score of 4.0. Perception of widespread corruption in terms of political parties transcends regions and even purchasing power. Not all countries have indicated political parties as being the most corrupt sector; however countries such as Bulgaria, Croatia, Lithuania and Slovakia indicate the judiciary system or the Parliament, as being the most corrupt.

Table 1 The level of corruption in the EU institutions in 2014. Made by authors.

| The level of corruption in the public system in 2014 |     |
|------------------------------------------------------|-----|
| Political parties                                    | 4   |
| Parliament                                           | 3,7 |
| Civil Servants                                       | 3,5 |
| Business                                             | 3,5 |
| Mass-Media                                           | 3,4 |
| Judicial system                                      | 3,3 |
| Police                                               | 3,3 |
| Medical System                                       | 3,2 |

Source : Transparency International; Global Corruption 2015

In recent years, the EU has completed analysis reports based on the views of people on the increase or decrease in the overall level of corruption and on the widespread corruption in the public sector. *How big is the problem of corruption in public sector in the European Union?* Is one of these studies. It was conducted by Transparency International in 2014 in 20 countries on a scale from 1 to 5, where 1 means not at all and 5 means a very serious problem. (*Table 2*)

Table 2. How big was the problem of corruption in the public sector in the EU in 2014? Made by the Authors.

| Country                            | Percent |
|------------------------------------|---------|
| Greece , Portugal                  | 4,6     |
| Spain, Lithuania, Romania          | 4,5     |
| Italy                              | 4,4     |
| Bulgaria, Croatia                  | 4,3     |
| Cyprus, Latvia, Slovakia, Slovenia | 4,2     |
| France                             | 4,1     |
| Belgium, Germany                   | 3,9     |
| Hungary                            | 3,8     |
| Estonia, United Kingdom            | 3,7     |
| Luxembourg                         | 3,2     |
| Denmark                            | 2,2     |

Source : Transparency International ; *The Global Barometer of Corruption 2015*

The presence of a large share of the public sector in economy does not provide a full explanation of the numerous causes of corruption in this area. In Finland, Denmark, the Netherlands and Luxembourg, the public sector is among the most extensive in the world, but less corrupt than in many other countries with a more modest sector. This suggests that not so much the presence of public sector in the economy but the mechanism of its operation determines the level of corruption. In the EU, in the extremes there are Denmark, a country where corruption in the public sector is less than 2.2, and Greece and Portugal, where the percentage is greater than 4.6 points. Romania also recorded a very high percentage of 4.5.

The level of corruption in the public sector is influenced by many factors such as inconsistent and outdated legislation, lack of transparency lack of a strategy to fight corruption, the high level of discretion in the work of public servants. Along with these factors we can also mention a few causes with a major impact such as moral and social causes (degradation of moral values among officials, tolerance for corruption, personal integrity and survival but also economic reasons such as low wages to pay wage and arrears).

In the study conducted by Transparency International *Why did you not report an incident of corruption?* 58% of Romanians said *it would not make any difference*; the EU average response to this question is 52%. In Romania 20% of respondents said they fear the consequences, compared to 29% EU average. Comprehensive anti-corruption policy is expressed in the most efficient manner, through a national program to prevent corruption, articulated in sector prevention strategies directed towards the most vulnerable targets: politics, administration and justice.

*Justice is the backbone of any democratic society and professionals working in the judicial system should provide credibility.* According to the National Anti Corruption Directorate report on work done in 2013, Romania registered a considerable increase in the number of corruption cases which are in instrumentation in 2013 compared to 2012, which affected Romania's position in CPI. Another study related to corruption was conducted during March 2013-June 2014 by the European Commission together with the European Anti-Fraud Office (OLAF) aiming to *identify and reduce corruption in public procurement in the European Union*. It was conducted in eight Member States France, Hungary, Italy, Lithuania, Netherlands, Poland, Romania and Spain in order to test database of acquisitions in five areas: road and railway construction, water & waste, urban construction of utilities, training, research and development or medical technology.

With a percentage between 28% and 35% of probability of the level of corruption, Romania ranked three of the eight countries analyzed in the study of probability of the level of corruption. The first two places were taken, in order, by Spain (34-41%) and Lithuania (31-37%). At the opposite position is Netherlands (less than 1%) and France (3 - 2%). In numbers, our country recorded the following percentages to the four main types of corrupt practices revealed by OLAF study: auction fraud - 24% of cases, illegal commission - 46%, conflict of interest - 24% and deliberate mismanagement - 6%. *Overall, the direct costs of corruption in public procurement in 2012 for the five sectors studied in 8 Member States are estimated between 1.4 and 2.2 billion €.*

## 5. Conclusion

Many countries around the world are affected by the deeply entrenched corruption that hinders economic development, undermines democracy and harms justice. The results of anticorruption at EU level for the year 2014 are not satisfactory. Anticorruption rules are not always vigorously enforced, systemic issues are not effectively addressed and authorized institutions do not always have sufficient capacity to implement the rules. According to a statement made by Cecilia Malmström, Commissioner for Home Affairs: *Member States have made many efforts in recent years to combat corruption, the 2014 report shows that they are not enough even by far. Public procurement is a very important domain to the EU economy, given that the costs incurred by public entities for procurement of goods, works and services is approximately one fifth of the EU's GDP each year.* Public procurement is crucial for the internal market of every country, being covered by extended EU legislation, but also being subject to significant risks of corruption. In some Member States, the control mechanisms, particularly at the local level, are weak or broken; there are cases of favoritism in the allocation of public funds in the national, regional local authorities but especially those involved in public procurement. A large number of cases of corruption can also be seen in *privatization* where the transfer of state assets to private hands carries some risk of corruption (nepotism and cronyism). EU Anti-Corruption Report is also based on the Cooperation and Verification Mechanism (CVM), a follow-up mechanism for post-accession for Romania and Bulgaria, which is managed by the European Commission.

The very high level of corruption index shows that Romania's efforts so far to combat corruption were not enough and did not get up to those levels of the individual decision to allow a change in the practices of public institutions. This presence of systemic corruption at a such a high level indicates that funds are not effectively managed and public resources are exploited for personal profit.

Government actions in combating corruption will have to be better valued and results promoted both internally and externally. The first necessary step in preventing and fighting corruption is the adoption of more comprehensive, more severe clearer and more effective laws. You should also create a more professional administration who would know their duties in dealing with citizens and whose activity is to be much better regulated. The mere adoption of legal provisions designed to limit and discourage acts of corruption in public administration are not enough. According to the European Commission report in 2014 each member country must take action to stop corruption in different areas such as Finland, France, Greece, Romania, Czech Republic; *the public procurement area remains a risky one and would benefit from increased supervision.*

In Hungary, we encounter considerable problems *such as those related to informal relations between business and local political actors. Estonia needs further efforts to improve transparency and monitoring the financing of political parties.* Latvia, Italy, Luxembourg, the Netherlands were *appreciated for the steps taken to fight corruption; they can serve as a model for the EU .*

With considerable efforts from all countries corruption can be reduced and maintained at a certain level so as not to affect society as a whole. *A specific anti-corruption measure applied in a State*

*might not be viable in another state, even if sometimes the overall experience in the field can be successfully applied in other states.*

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