



CORRUPTION
RESEARCH CENTER
BUDAPEST



This project is co-funded by the
Seventh Framework Programme for
Research and Technological
Development of the European Union



EU Funds' curse? The impact of EU Funds on institutionalised grand corruption in CEE

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ANTICORRP report vol. 2 launch, 23 October 2014, Berlin

2014.11.01.

Goals

- A brief peek into main findings
- Perspectives and policy context

The CRCB measurement approach

- Perception indicators are not good enough
- New paradigm of measurement
 - harnessing BIG DATA,
 - built on thorough understanding of context, and
 - ,open-ended’
- Indicator characteristics:
 - Specific
 - Real-time
 - ‘Objective’/hard
 - Micro-level
 - Aggregatable + comparative

Definition of institutionalised grand corruption

- Specific definition (just like measurement)
- Institutionalised grand corruption in public procurement

institutionalised grand corruption in public procurement refers to the regular particularistic allocation and performance of public procurement contracts by bending universalistic rules and principles of good public procurement in order to benefit a group of individuals while denying access to all others.

The CRCB data template

- Public procurement data
- Company financial and registry data
- Company ownership and management data
- Political officeholder data
- Treasury accounts of public organisations
- Arbitration court judgements

Corruption Risk Index (CRI)

- Probability of institutionalised grand corruption to occur

$$0 \leq CRI^t \leq 1$$

where 0=minimal corruption risk; 1=maximal observed corruption risk

- Composite indicator of elementary risk (CI) indicators

$$CRI^t = \sum_j w_j * CI_j^t$$

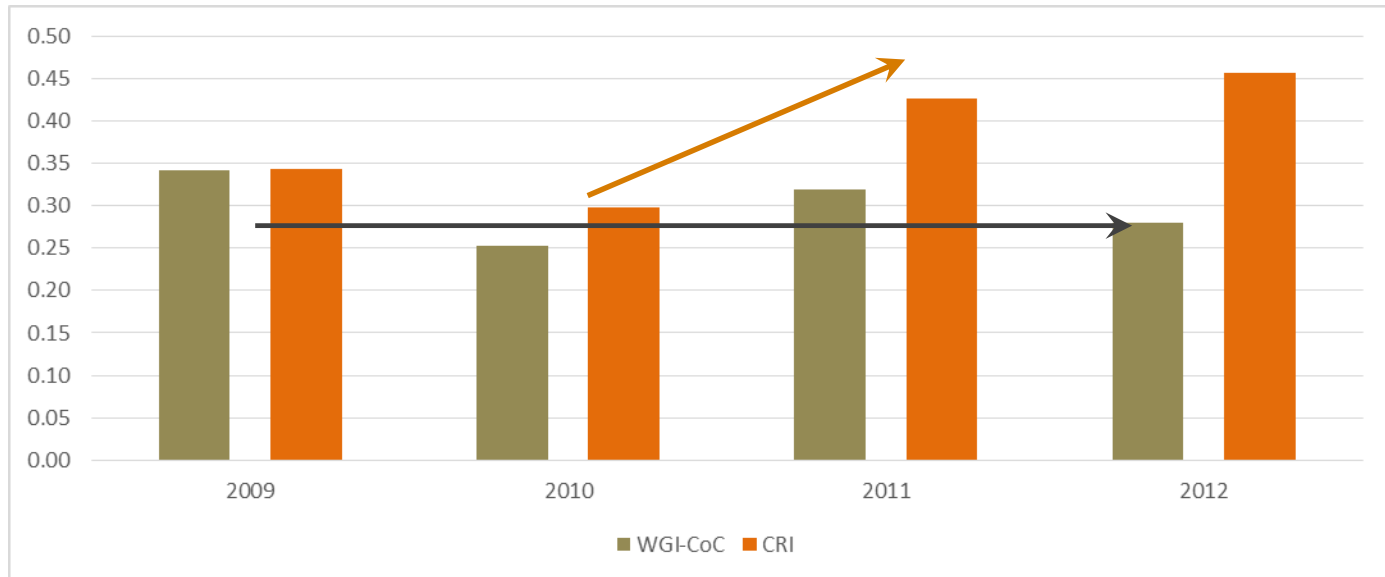
- Elementary risk indicators are combined to reflect a corrupt rent extraction logic

Components of CRI

Proc. phase	Indicator name	Indicator values	availability				
			CZ	HU	SK		
submission	Single bidder contract (valid/received)	1=1 bid received 0=more than 1 bid received	x	x	x		
	Call for tenders not published in official procurement journal	1=NO call for tender published in official journal 0=call for tender published in official journal	x	x	x		
	Procedure type	0 =open procedure 1=invitation/restricted procedure 2=negotiation procedure 3=other/framework procedures 4=outside PP law 5=missing/erroneous procedure type	x	x	x		
			Length of eligibility criteria	Number of characters relative to market average	x	x	
			Call for tender modification	1=modified call for tenders 0=NOT modified call for tenders	x	x	
			Length submission period	Number of days between the publication of call for tenders and the submission deadline (for short submission periods weekends are deducted)	x	x	x
			Weight of non-price evaluation criteria	Sum of weights for evaluation criteria which are NOT related to prices	x	x	x
assessment	Length of decision period	number of days between submission deadline and announcing contract award	x	x	x		
overall	winner contract share	12-month total contract value of winner / 12-month total awarded contract value (by issuer)	x	x	x		
<i>Number of components</i>			9	9	7		

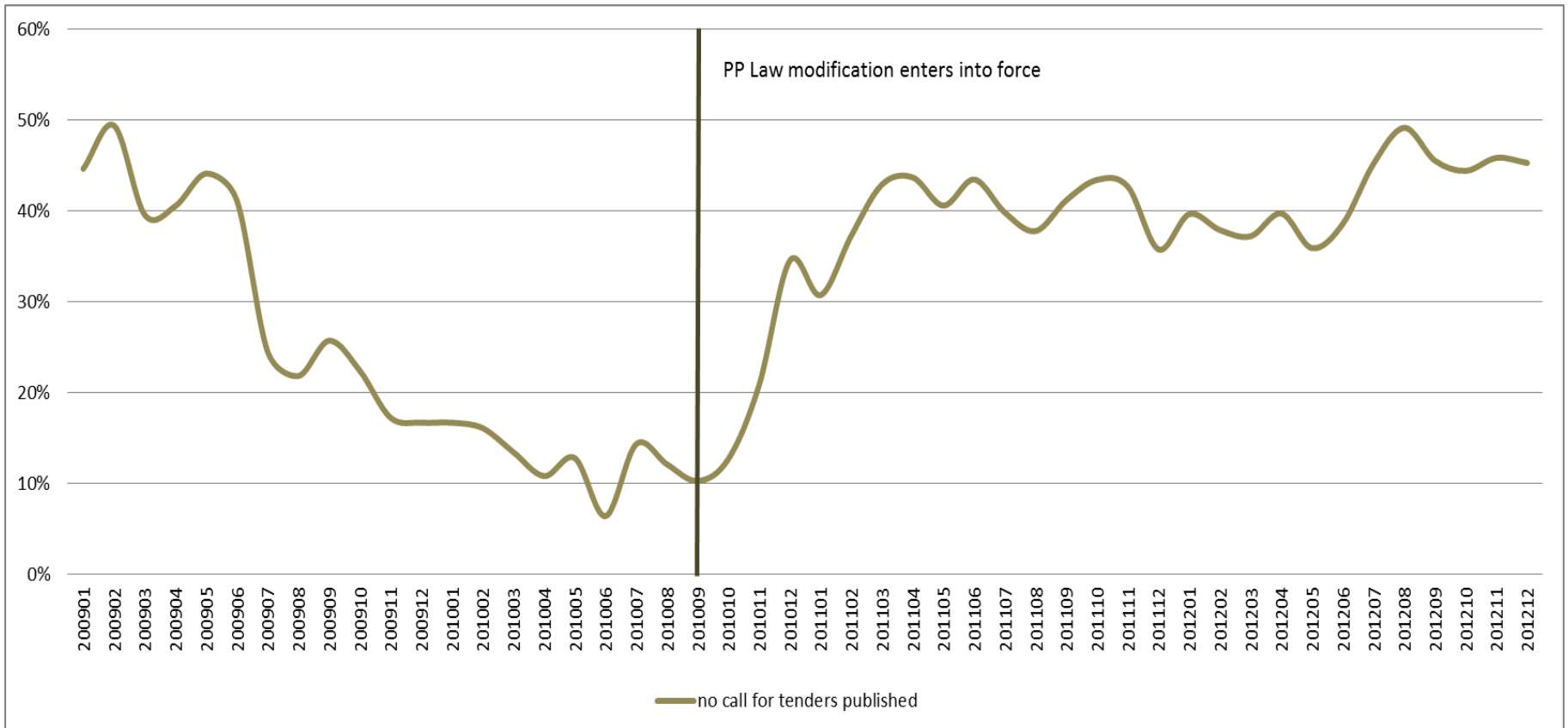
Validity

- Plenty of evidence: political connections, tax heavens, profitability, etc.
- One example: Hungary 2009-2011
 - ‚Something has changed’
 - WGI CoC reports NO CHANGE (*improvement* not sign.)
 - CRI reports INCREASING RISKS



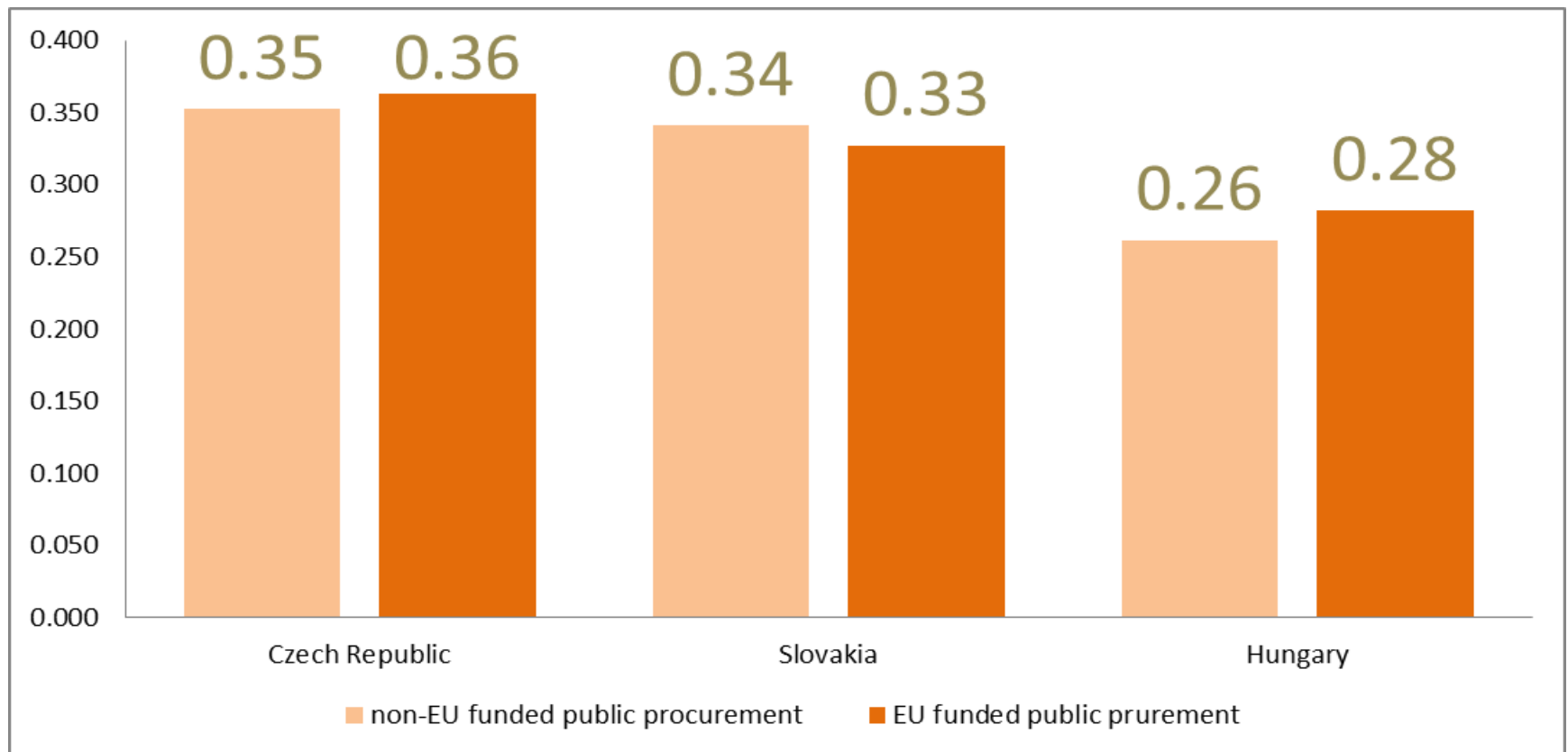
Micro-level explanation

- Exploring what drives change:
 - transparency



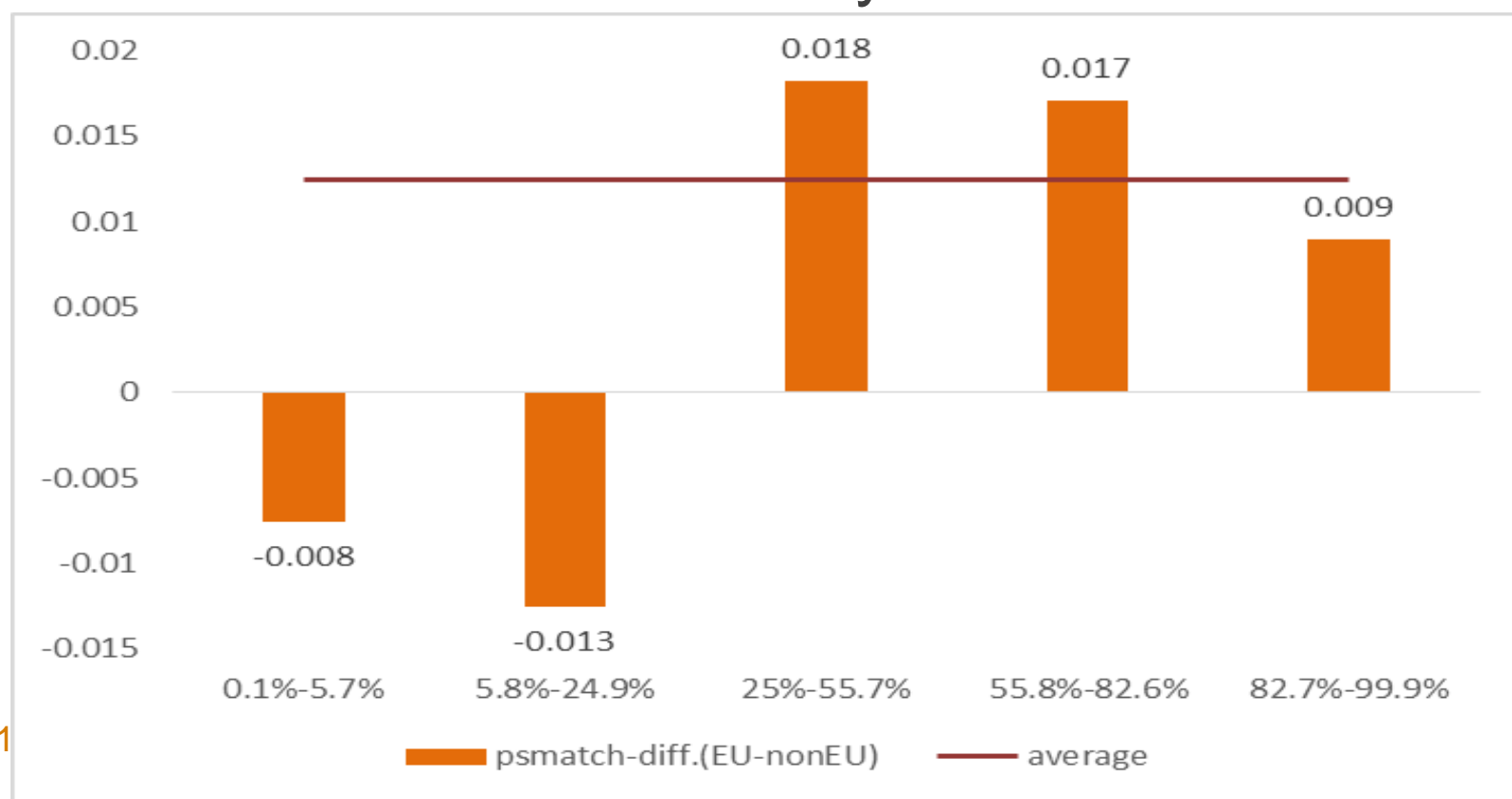
CRI of EU vs non-EU funded tenders

- EU Funds **increase** corruption risks in Cz and Hu
- EU Funds **decrease** corruption risks in Sk



What explains effect variance?

- Concentration of EU funding
 - Medium to large EU Funds share: main effect
 - Within and cross-country alike



Dynamic effects

- Negative effect spills over and lasting

Dependent variable	CRI of nationally funded public procurement				
Model	1	2	3	4	5
Independent variables					
used EU Funds=yes		0.003			
sign.		0.7267			
CRI of EU funded p.procurement			0.109**	0.271***	0.125
sign.			0.003	0.000	0.123
CRI of EU funded p.procurement (lag:1 year)				0.055	
sign.				0.270	
CRI of nationally funded p.procurement (lag:1 y.)					0.047
sign.					0.443
used e-auctioning=yes	-0.042***	-0.042	-0.04***	-0.039	-0.033
sign.	0.000	0.00	0.00	0.1567	0.257
log procurement spending	0.002	0.002	0.003	0.012	0.01
sign.	0.340	0.4133	0.46	0.24	0.300
constant	0.291	0.292	0.238	0.042	0.11
sign.	0.803	0.77	0.91	0.97	0.910
N	5083	5083	2773	910	959
R2	0.01	0.01	0.05	0.09	0.04

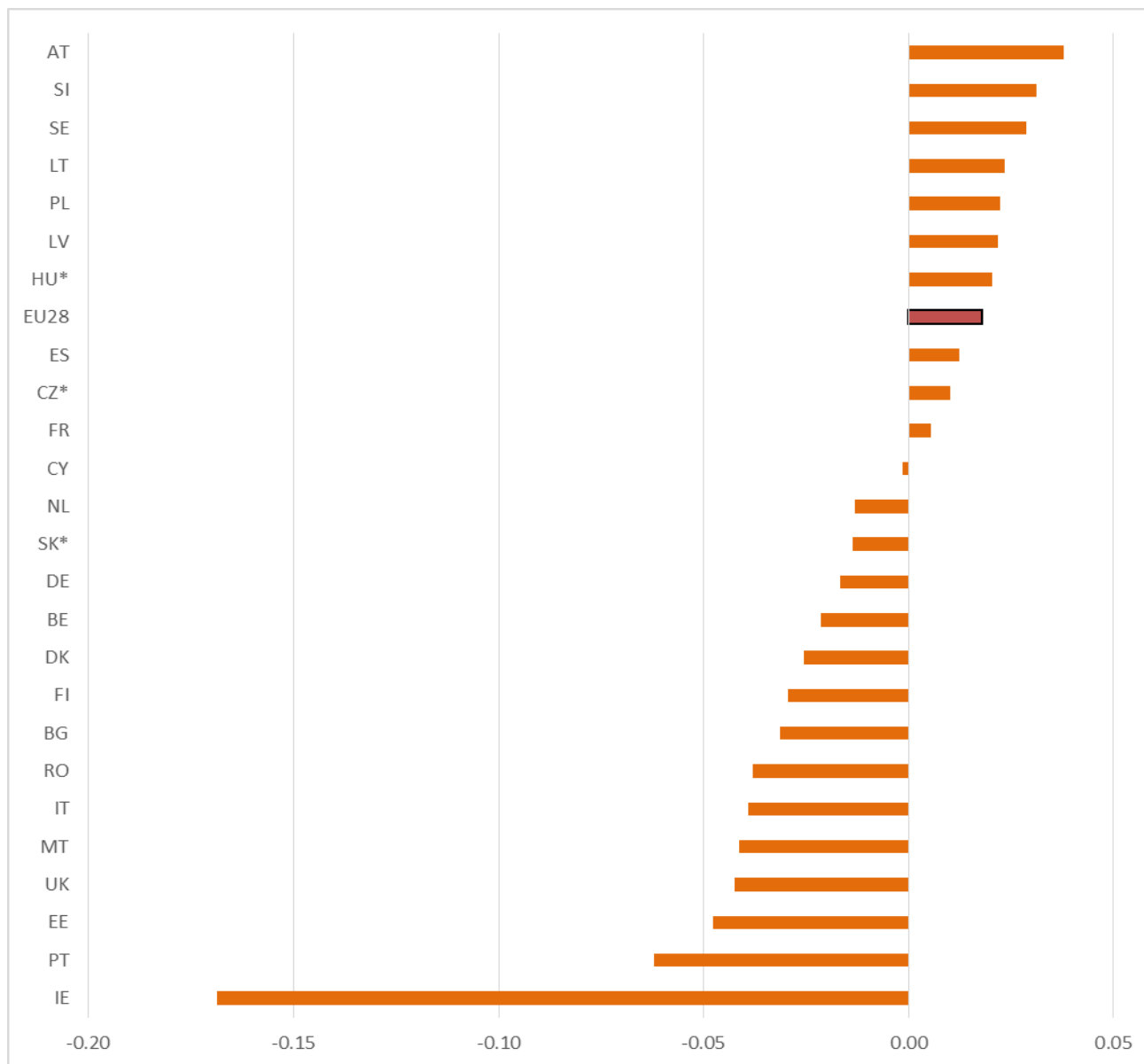
Prospects 1: Scaling up

CRI
difference:
EU Funds
– national
funds

N=
2,202,231
contracts

VERY
preliminary
results

2014.11.01.



Prospects 2.: From research to impact

- DIGIWHIST:
 - The Digital Whistleblower. Fiscal Transparency, Risk Assessment and Impact of Good Governance Policies Assessed
 - Builds on ANTICORRP results and network
- Goals
 - Advancing anticorruption, transparency, and spending efficiency in public procurement
 - Open data and indicators for 35 European countries: EU, EEA, Caucasus
 - Enabling losers of corruption to mobilize
- Scope
 - March 2015 – February 2018
 - 3 million eur
 - Consortium of Cambridge, Hertie, CRCB, Datlab, Open Knowledge Foundation, Transcrime

DIGIWHIST: key outputs

- Data:
 - Transparency and procurement legislation
 - Micro-level procurement data
 - Company information
 - Public organisation information
 - Asset declarations
- Indicators:
 - Corruption
 - Transparency
 - Administrative quality
- Utilization
 - Web portals, mobile apps
 - Whistleblower reporting
 - Risk assessment software for public servants

Published material

Corruption Research Center Budapest: www.crcb.eu

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