



CORRUPTION
RESEARCH CENTER
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EU Funds, corruption risks, & integrity pacts in public procurement across the EU

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Two questions

CHALLENGE?

To what degree are EU Funds susceptible to corruption?

SOLUTION?

What scope for Integrity Pacts in corrupt environments?

PART I – EU Funds' corruption risks?

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What kind of corruption?

In public procurement, the aim of corruption is to steer the contract to the favoured bidder without detection. This is done in a number of ways, including:

- ***Avoiding competition*** through, *e.g.*, unjustified sole sourcing or direct contracting awards.
- ***Favouring a certain bidder*** by tailoring specifications, sharing inside information, *etc.*

See: World Bank Integrity Presidency (2009) Fraud and Corruption. Awareness Handbook, World Bank, Washington DC. pp. 7.

Using what data?

- Tenders Electronic Daily (cleaned by DG GROW, *big* thanks!)
- 2009-2013
- EU28 minus MT&HR
- 2.3 million contracts awarded

- Data quality is a BIG issue!

„Red flags’ for measuring corruption risks in PP

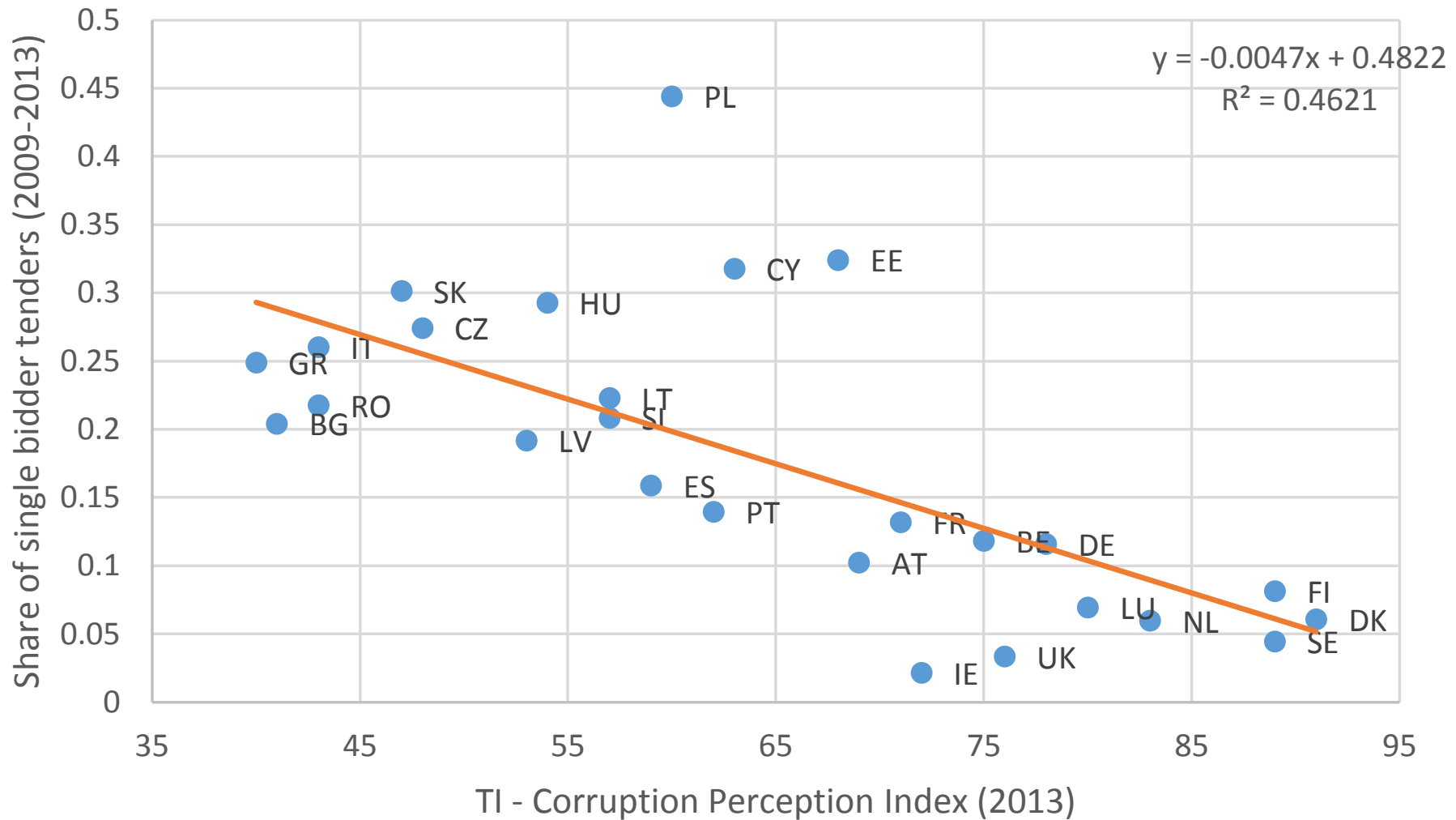
1. ***Single bid submitted***
2. *Winner's contract share*
3. Call for tender publication in OJEU
4. Procedure type
5. Length of advertisement period
6. Weight of non-price evaluation criteria
7. Length of decision period
8. Call for tenders modification
9. Annulled procedure re-launched subsequently
10. *Contract modification*
11. *Contract value/duration increase*

Number of bidders predicts prices

- Price savings by the number of bidders
- 121,794 contracts, EU26, 2009-2013

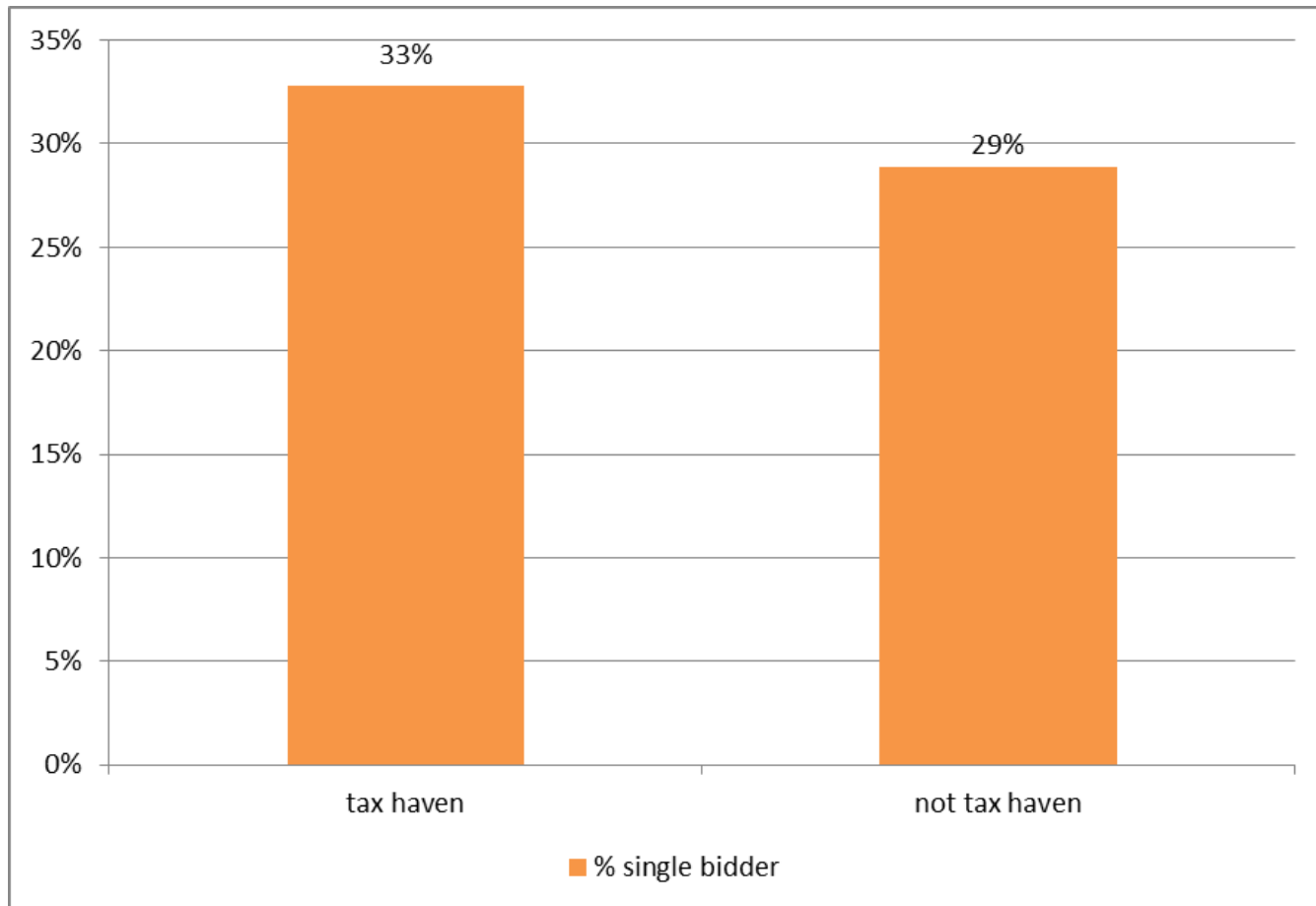


Single bidding correlates with perceptions



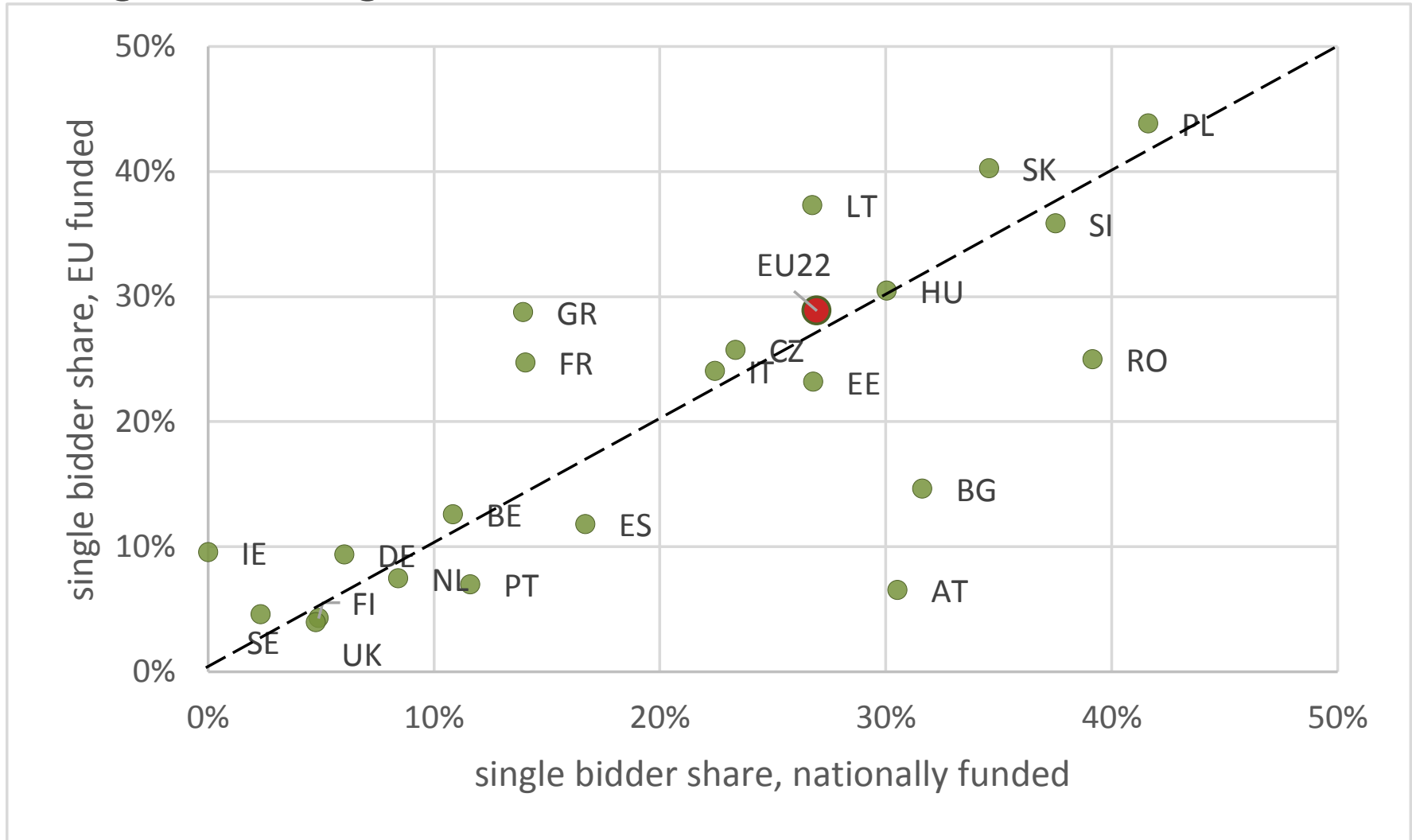
Single bidding co-varies with other ,objective' risks

- Risk of money laundering, diversion of funds
- Tax havens (TJN's FSI), EU26, foreign winners, 2009-2013



Monitoring EU Funds procurement

- EU23, 2009-2013
- Single bidding in EU Funds and non-EU Funds in PP



PART II – Role for Integrity Pacts?

Structural role of Integrity Pacts

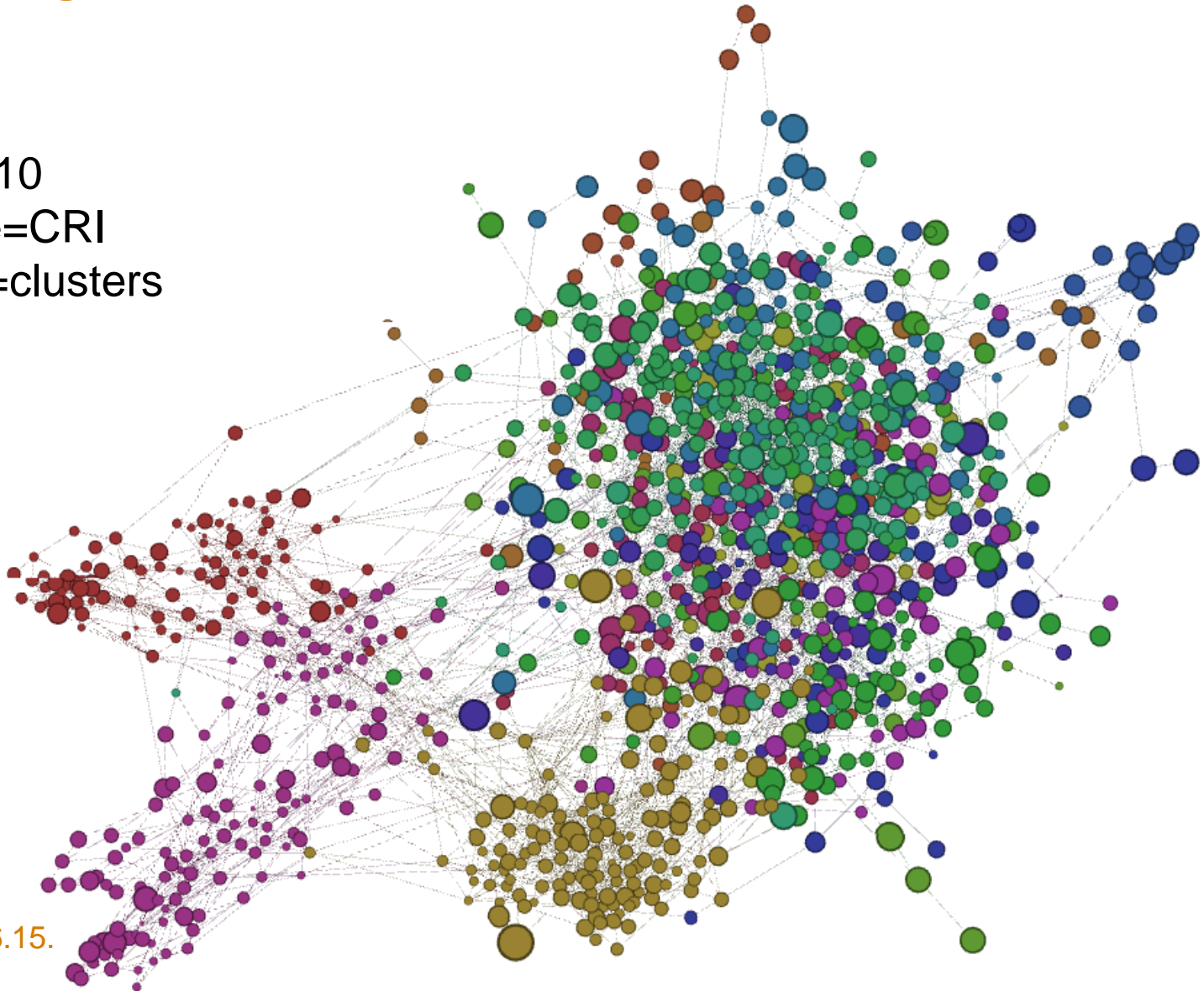
Theory of change

- Creating islands of integrity? Sustainability?
- Catalysts for systemic change?

Network position of IPs → stability&systemic impact

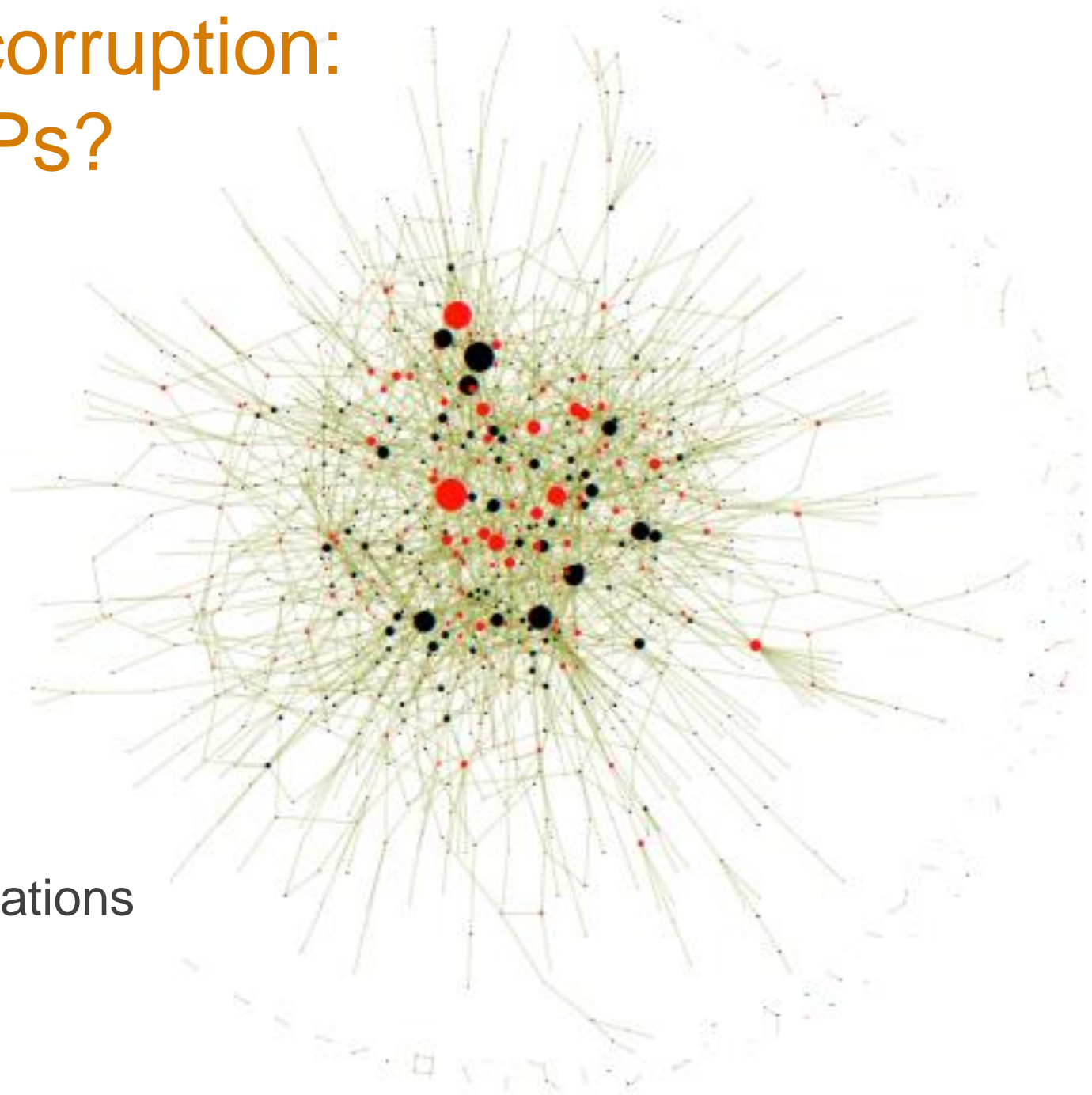
Organisational clusters matter!

Hungary
2009-2010
Node size=CRI
Colours=clusters



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Systemic corruption: Place for IPs?



Captured organisations

Hungary

2011-2012Q2

2 (tentative) answers I.

- EU Funds carry *some* additional corruption risk on average, BUT...

...impact is strongly context dependent

Context:

- general level of corruption,
- quality of bureaucracy,
- amount of EU funding received

2 (tentative) answers II.

- Select IPs carefully and monitor impact rigorously BY...

...building on objective data, big data (e.g. Digiwhist)

Link IPs to public procurement data in existing databases allowing for:

- before-after analysis,
- comparing to control group of organisations,
- following-up over a longer period

Further readings

Corruption Research Center Budapest: www.crcb.eu

Fazekas, M. and Tóth, I. J. (2014). *From corruption to state capture: A new analytical framework with empirical applications from Hungary*. CRC-WP/2014:01, Budapest: Corruption Research Centre.

Czibik, Ágnes; Fazekas, Mihály; Tóth, Bence; and Tóth, István János (2014), *Toolkit for detecting collusive bidding in public procurement. With examples from Hungary*. Corruption Research Center Budapest, CRCB-WP/2014:02.

Fazekas, M., Chvalkovská, J., Skuhrovec, J., Tóth, I. J., & King, L. P. (2014). *Are EU funds a corruption risk? The impact of EU funds on grand corruption in Central and Eastern Europe*. In A. Mungiu-Pippidi (Ed.), *The Anticorruption Frontline. The ANTICORRP Project*, vol. 2. (pp. 68–89). Berlin: Barbara Budrich Publishers.

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