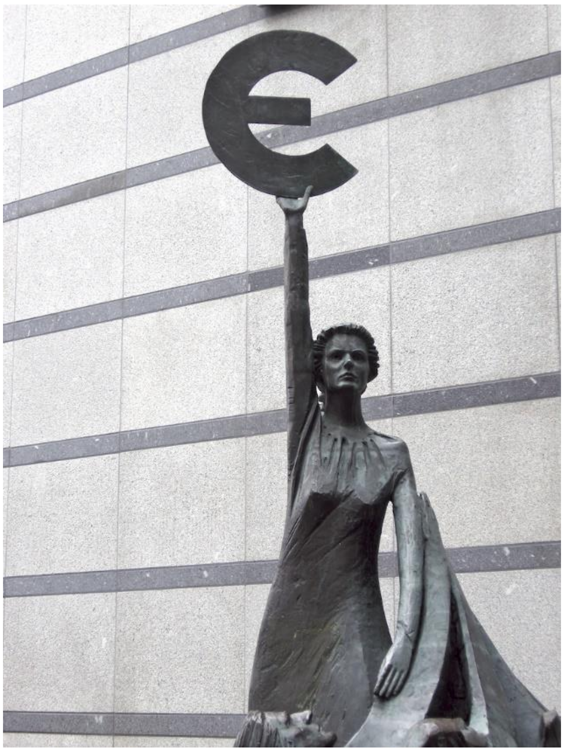
10 Rue de l'Industrie, 1000 Brussels
http://www.transparency.eu/
32 (0)2 893 24 55
brussels@transparency.org
@TI_EU
Transparency Register ID: 501222919-71

Ensuring that the European Semester delivers anti-corruption results



In January 2017, the European Commission informed the European Parliament that it was discontinuing the biennial EU Anti-Corruption Report that was established by Commission decision in 2011, and that the European Semester process would be the main vehicle for delivering recommendations to EU Member States on anti-corruption reforms. That decision was regrettable, and the European Semester process is not, as it stands, an adequate substitute for that report, much less the EU anti-corruption strategy that the report was intended to inform. Independently of the fate of the Anti-Corruption Report or the Commission's overall anti-corruption strategy, it is clear that the Semester process can be improved with a view to delivering progress on anti-corruption reforms.

Corruption has been a concern of the European Semester since its inception, as part of efforts to improve public administration and the business environment. In 2017, there are country specific recommendations (CSRs) related to corruption for five Member States (CZ, HU, IT, LV, SK). Bulgaria and Romania receive recommendations separately as part of the Cooperation and Verification Mechanism (CVM). Greece is not included in the Semester exercise, as reforms are agreed as part of the macroeconomic adjustment programme agreed with creditor institutions.

Nevertheless, there have been concerns about the low rate of implementation of CSRs issued as part of the Semester process – about 30% overall, with some of the lowest rates of compliance related to corruption and the shadow economy.

This paper outlines some of the ways to improve the credibility and effectiveness of the European Semester as a vehicle for delivering anti-corruption reforms.

1. Risk Assessment

It is not clear currently why corruption is mentioned as an issue for some MS, and not for others – nor why only a subset of those MS for whom corruption is identified as an issue receive corruption-relevant CSRs.

For example, the 2017 strategic threat assessment carried out by the UK's National Crime Agency highlighted that "corruption is becoming a key vulnerability, with corrupt workers at ports, airports and in the logistics sector facilitating breaches of border control, and corrupt individuals working in the financial and legal sectors facilitating money laundering and fraud". However, corruption and money-laundering are not cited as issues for the UK in the 2017 Semester process.

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To take another example, Croatia scored 49 in Transparency International's 2016 Corruption Perceptions Index (CPI), indicating serious problems with corruption in the public sector. The 2014 EU anti-corruption report identified several issues relating to healthcare, public procurement and state-owned enterprises, noting that "favouritism and politicising of the public administration, as well as integrity standards in politics remain causes for concern". In recent years, the government has been clamping down on independent media and civil society. Stalled government initiatives and the deterioration in the business climate were noted in the 2017 Semester country reports. None of this, however, warranted a mention in the CSRs published in May 2017.

The 2014 EU Anti-Corruption report was the basis for a number of CSRs in previous rounds, although the report itself was clear that each MS had issues and did not rank or compare MS. Now that the report has been discontinued, the basis for the selection of MS and for issuing anti-corruption CSRs is even less clear.

Recommendations:

1.1 The European Commission (DG Home) should periodically (every 2-3 years) carry out and publish an assessment of the main corruption risks related to public administration and the business environment in each Member State to inform the European Semester process. This assessment can draw on independent studies and surveys, MS own risk assessments and other Commission work, such as the special Eurobarometer surveys and the Anti-Money Laundering Supra-National Risk Assessment carried out by DG Just.

1.2. The European Commission (DG Home) should identify baseline indicators for tracking anti-corruption progress (or regress) annually in all 28 Member States, for example Transparency International's Corruption Perceptions Index (CPI) or relevant indicators from the World Economic Forum's Global Competitiveness Report. These indicators are needed in any case to track progress in specific anti-corruption targets that are components of the Sustainable Development Goals, and Eurostat has already identified the CPI as one of those indicators. Significant regress or persistent failure to advance beyond a threshold should automatically trigger inclusion of the underlying issues in the Semester country reports and corresponding Country-Specific Recommendations.

1.3 The European Commission (DG Home) should consult with Member States and other stakeholders on the methodology for the corruption risk assessment and indicators to be used. The methodology and indicators can be included in the Anti-Corruption 'Thematic Factsheet' that is published as part of the Semester process.

2. Implementation

As noted above, the implementation of CSRs has been patchy. An analysis by the Bruegel think-tank in 2015 and updated in 2016 has shown the steady decline in the rate of implementation. The CSR scorecard for 2013 published by the European Parliament in 2014 revealed there was no implementation of any recommendation on fighting corruption (recommendations were issued to the Czech Republic, Italy and Hungary in 2013). Part of the issue is that the Semester process is not widely known or understood and

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consequently there is little buy-in from non-state actors. In the anti-corruption field, the main non-state actors are civil society organisations, although academics, trade unions and business also play important roles.

The Commission's aim should be to communicate and engage with as many relevant groups as possible, thereby increasing pressure for reform at national level. This would also result in better and more targeted policy recommendations. The Commission's ability to do so, however, depends crucially on the credibility and transparency of the risk assessment phase outlined above.

It is also partly due to the nature of the recommendations, which are vague and not very actionable. For example, this year the CSRs to the Czech Republic noted the "challenges in preventing corruption" and recommended "to increase the effectiveness of public spending (...) notably by fighting corruption". This is not very helpful in terms of formulating anti-corruption policy, to say the least, especially in view of the range of best-practices and successfully implemented anti-corruption reforms (some of which were noted in the 2014 EU Anti-Corruption Report).

Recommendations:

2.1 Once the country reports are published, the European Commission should openly consult with civil society groups on how the corruption issues identified should be translated into policy recommendations, in the same way that social partners and some CSOs are now routinely invited to comment on the Annual Growth Survey and Country Reports. The consultation could take the form of a one-day roundtable, and would draw on the experience of consultations as part of the enlargement process on anti-corruption issues.

2.2 The European Commission (DG Home) should more systematically track progress in the implementation of the anti-corruption CSRs. It should also set deadlines for implementation, as is the case for Greece currently in the context of the macroeconomic adjustment programme agreed with creditor institutions. This will entail the development of indicators, but inevitably there will not be indicators for each policy recommendation. Following the publication of the Annual Growth Survey in the early Autumn, the European Commission should also hold an open consultation with civil society organisations on the implementation and impact of previous recommendations. Summaries of these discussions should be published, along with the updated relevant indicators ahead of the formal country visits of the European Semester teams in the Autumn. The Commission can also take into account the 'shadow reporting' on SDG (Goal 16) implementation that will be carried out by some Transparency International chapters.

2.3 The country reports published in early Spring should contain a clear assessment of the implementation of previous recommendations, based on available indicators and the consultations in the Autumn. The country reports should disclose details of the consultation process and the stakeholders consulted. Where recommendations are persistently ignored, partially or wholly, their implementation should be included in the ex-ante conditionality for the next cycle of structural funds (from 2020).