Transparency International EU

The global coalition against corruption

How can we end corruption in public funds?

Alex Johnson · Wednesday, June 6th, 2018

One of Europe's greatest and perhaps least publicised achievements is the use of Structural and Social funds to help provide much needed investment in European regions.

From Galway to Varna the EU has provided funds which have helped build schools, playgrounds, hospitals and roads. A total of €55.5 billion will go to the European Structural and Investment funds in the 2018 budget. But with such vast sums of money there is a high risk of fraud, mismanagement and corruption.

OLAF, the EU anti-fraud agency, has recently reported that Structural and Social Funds are the single largest area of their investigative work. In 2015, of the total €888.1 million recommended for financial recovery, €624 million were in the areas of Structural and Social Funds alone. According to a recent study by RAND Europe, corruption in public procurement procedures could cost the EU around €5.3 billion a year.

Further studies from Transparency International and PwC have found that public contracting and public procurement procedures are one of the main corruption risk areas in the European Union.

This corruption not only negatively affects a particular project, local affected communities or the socio-economic environments of the respective region. It also can hinder broader economic growth across the whole EU.

Whistleblowers, journalists and civil society have been at the forefront of bring cases of corruption in public funds to light. And we need these cases to be brought forward by whistleblowers so that we can provide evidence to meet legal standards of proof which can be hard to find otherwise.

At Transparency International we have spent years working on ways to combat corruption in public funds. For example: Our colleagues in Slovakia looked at the pricing of procuring hospital equipment, they proved that companies had been overpricing these vital lifesaving machines, at the expense of the national healthcare budget when compared with neighbouring hospitals.

Two-thirds of 27 CT scanners bought over a five year period were purchased without competition, even though four suppliers were on the market. As a result, a Slovak hospital paid €2.8 million for a CT scanner, which a Czech hospital bought for half the price.

Currently, through an European Commission, EU Regional Policy-funded pilot project, across dozens of countries we are using a tool called “Integrity Pacts” to monitor the entire tendering process of select public works. We’re trying to ensure that from tender to completion a project is run in the most efficient and transparent way possible.

We’re utilising Integrity Pacts to look at projects on roads in Hungary, on IT infrastructure in Romania, on preserving Roman ruins in Italy, and much needed flood prevention around Athens.

In Hungary, past Integrity Pacts have had very real impacts, with costs across five different past projects being lowered by 36%.

But civil society can’t monitor every single procurement process in Europe. We can’t watch every bid and double check every tender. Just as we can’t rely on every instance of maleficence to be exposed by the bravery and altruism of whistleblowers. Something far more systematic and sustainable is needed.

That’s why Transparency International Hungary and K-Monitor developed a tool called RedFlags.eu which systematically monitors the EU’s TED – Tenders Electronic Daily database – for potential red flags which could indicate corruption. RedFlags.eu is somewhere where journalists, civil society and citizens can go to easily check on cases of corruption, which helps to uncover corruption in public procurement.

Bid rigging, over pricing and repetitive single bids can all be highlighted through redflags.eu. Of course a red flag doesn’t automatically prove corruption but multiple hits start to build a picture. The tool has shown us that around 60% of procedures in Hungary contains one or more red flags. So far the tool has helped journalists uncover potential corruption in the building of tram lines and the gardens of Budapest. This is just one country and its early days in the use of data to prevent corruption.

Tools like Redlflags, opentender.eu and EuroPam are a start, but different rules in different countries makes it hard to capture potential cases of corruption public procurement through open data. While some countries, like Greece, have great new laws on procurement, but weak enforcement, a lack of training and out dated infrastructure makes these laws good guidelines but little more.

To truly prevent corruption in public works across the continent we need to improve the whole system of procurement in Europe. Publishing thresholds for tenders need to be lowered. Tenders and bids should be made public in an open and readable format. And this data must be comparable across borders. Because after all, corruption and crime have operated with ease across borders way before Schengen allowed people to travel with the same kind of ease.

And finally, beneficial ownership info should be part and parcel of public procurement open data so that we can utilise tool like opencorporates to follow the money and make sure that European tax payers money isn’t being shelved in shady island tax havens.

We believe that civil society and whistleblowers play a key role in helping to push for more open data and to assess potential cases of corruption. But we can only highlight some cases and build tools where the legal and administrative set up allows. Only with properly open procurement data, better quality data clearer rules and enforcement can we hope to tackle the

risks of corruption in public money.

That will require an appetite for change at the local, regional and EU level.

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