

**2019 Summer School in public auditing and accountability – a  
brief overview**

**Digital Transformation of Audit (Pisa, Italy – 8-12 July)**

**AUDIT AND ETHICS IN THE PUBLIC  
SECTOR**

**Atlas of corruption in Europe**

**Alberto Vannucci, University of Pisa**

# Siena-Palazzo Pubblico

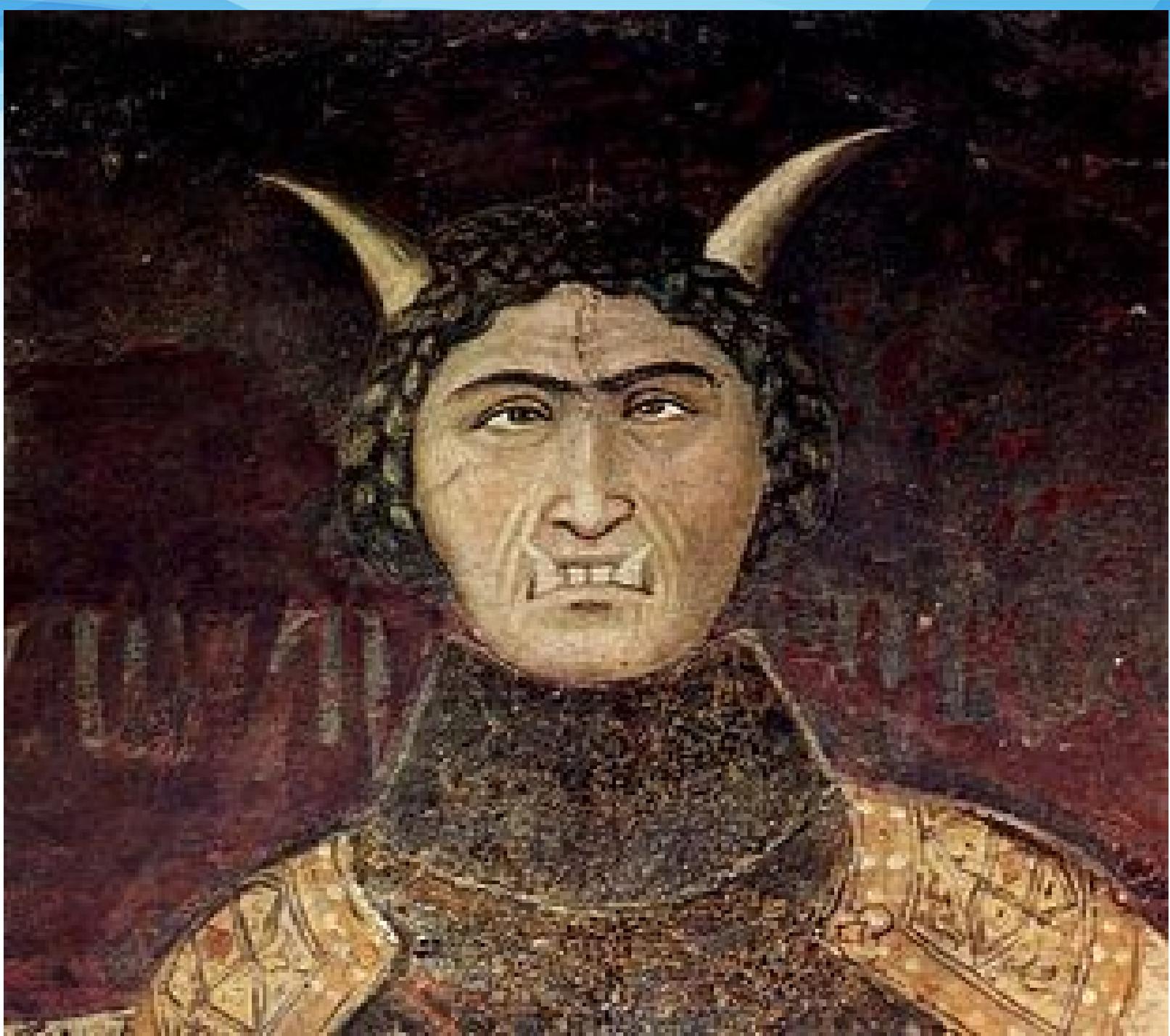


# “Sala dei nove”



# Allegory of «evil government» (Ambrogio Lorenzetti – 1338-1339)





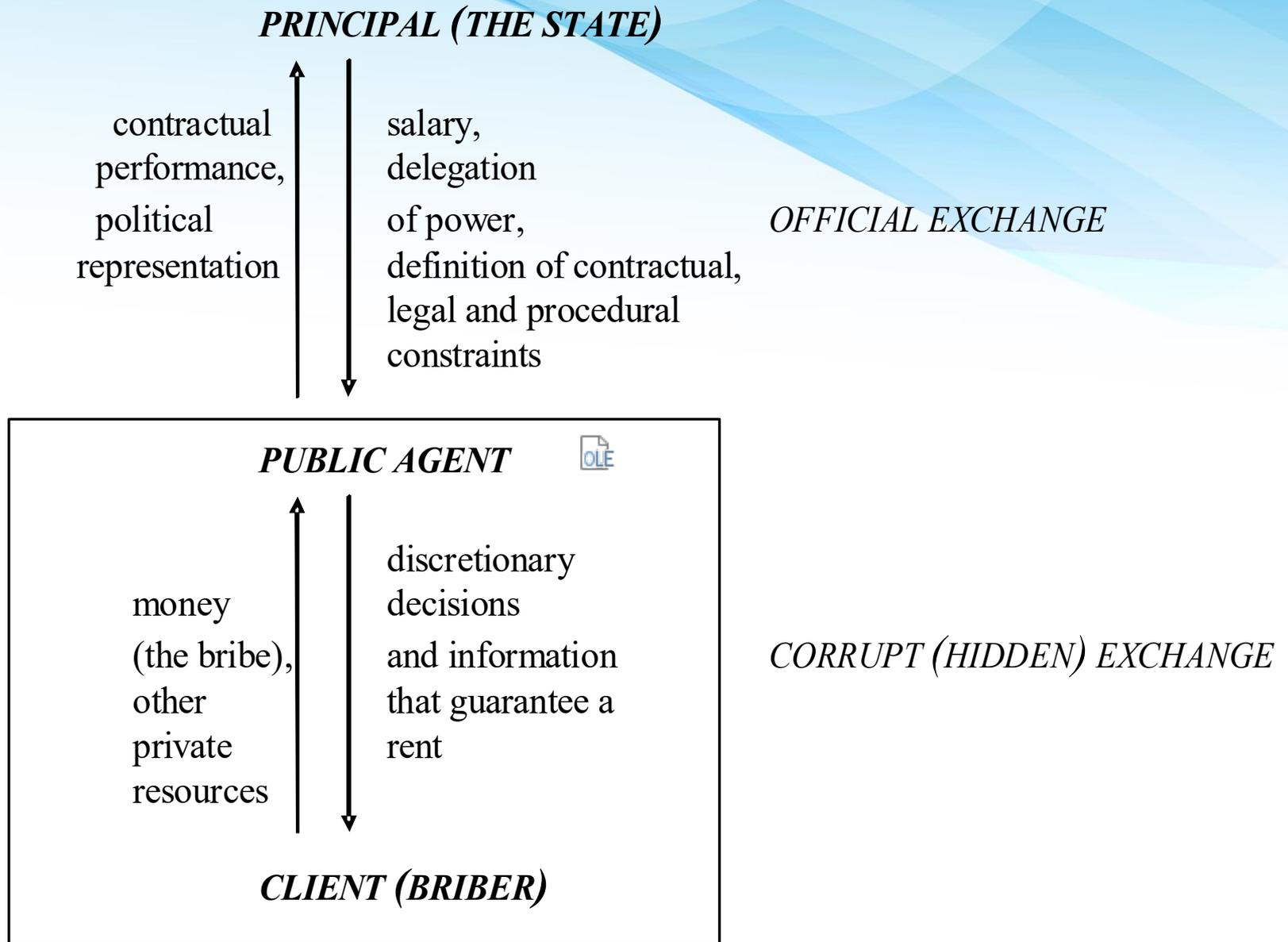
# What is corruption?

- corruption is commonly defined as the an abuse of public agents: “misuse of public power for private benefits” (definition of Transparency International)
- Misuse in what sense? The problem of singling out the standards against which this violation can be assessed. Corruption imply a violation of...
  - a. legal norms
  - b. public opinion
  - c. public interest

Different criteria imply a different detection (and sanctioning) procedures for corrupt practices

There is a risk of *conceptual stretching* (corruption encompassing embezzlement, favoritism, nepotism, clientelism, vote-buying, fraud, extortion, etc.)

# A principal-agent model of corruption



In a principal/agent perspective corruption can be defined as:

- (i) the *illegal* and therefore *hidden violation* of an explicit or implicit contract
- (ii) that states a delegation of responsibility from a *principal* to an *agent*, who has the legal authority, as well as official and informal obligation, to use his discretionary power, capacity and information in pursuing principal's interests,
- (iii) which occurs when the agent abuse entrusted authority in the use of these resources, which – through bribery – may be used in a (*corrupt*) *transaction*
- (iv) with a *client* (the *briber*), from which the agent receives as a rewards a quantity of money – the bribe – or other valuable resources.

In political and bureaucratic corruption, moreover:

- (va) the principal is the *state*, the corrupted is a *public agent* (*a politician, a bureaucrat, ...*);

while in private corruption:

- (vb) the principal is a *private actor* or *organization*, the corrupted is a *private agent*.

- **$C=M+D+H+A$**  (The Klitgaard's formula, integrated by della Porta and Vannucci)

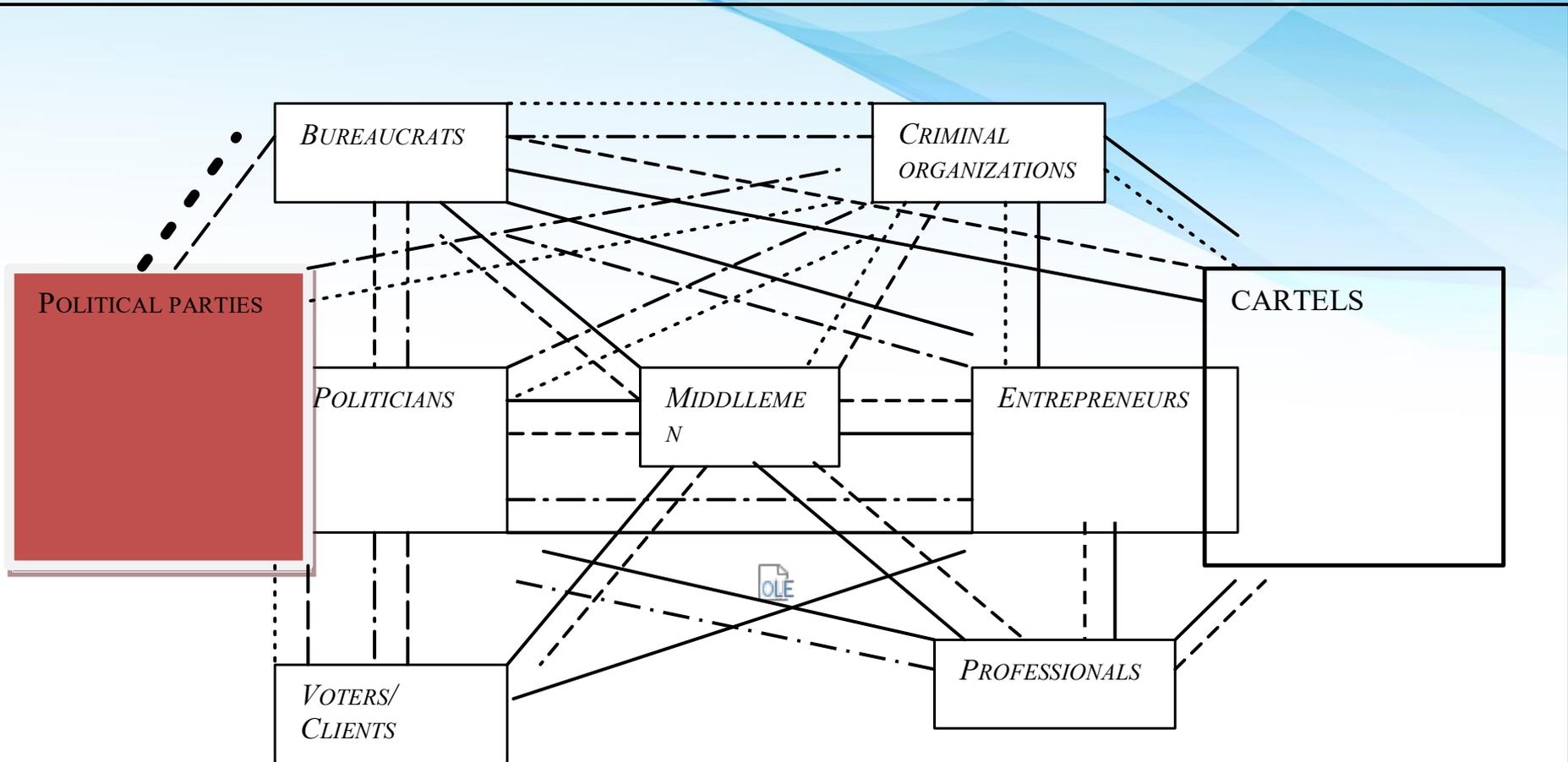
The level of Corruption is proportional to *Monopoly* (the number of monopolistic positions both in the public and in the private sector, implying the creation of economic rents), plus *Discretion* (the power to decide how to allocate rents), plus *Hidden information* (the capacity to use confidential information to influence the allocation of rents), minus *Accountability* (the effectiveness of state and social monitoring of agents' conduct)

# Snowball effects. The more widespread is corruption ...

- the lesser are the risks of being denounced by those who decide to engage in illegal practices
- the lower the perceived moral barriers and social stigma of corruption
- the higher the cost to be paid by those who try to remain honest
- the easier the search for a reliable partner

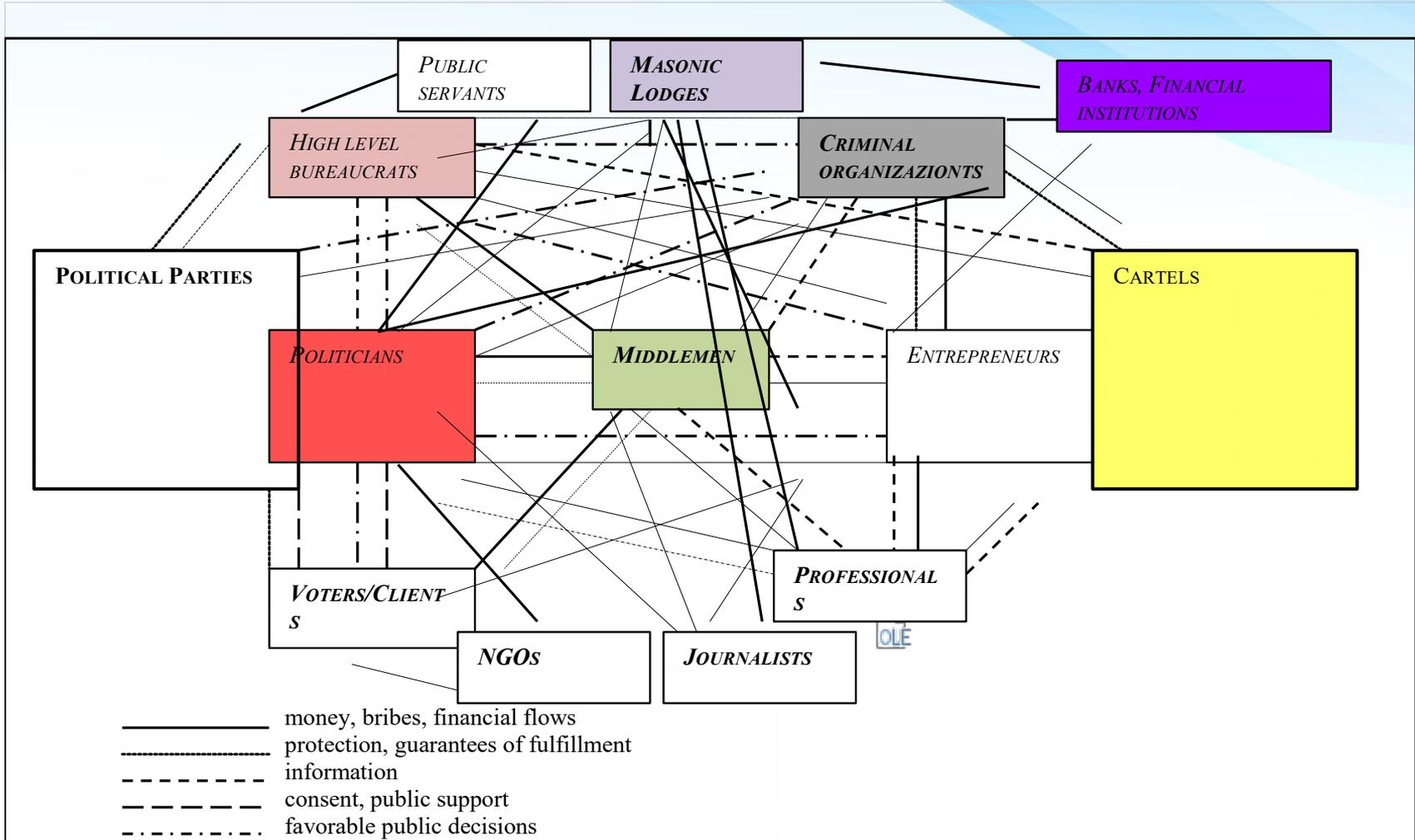
- Multiple equilibria – with ample variations in level of corruption – are then possible in similar institutional settings, reflecting divergent beliefs and reciprocal adaptation of choices and preferences: “people may have similar values, within and across societies, and similar institutional structures and yet, for accidental reasons, end up in different equilibria” (Elster 1989)
- One of the dilemmas of anti-corruption policy: how to induce a “jump” from high to low-corruption equilibria?

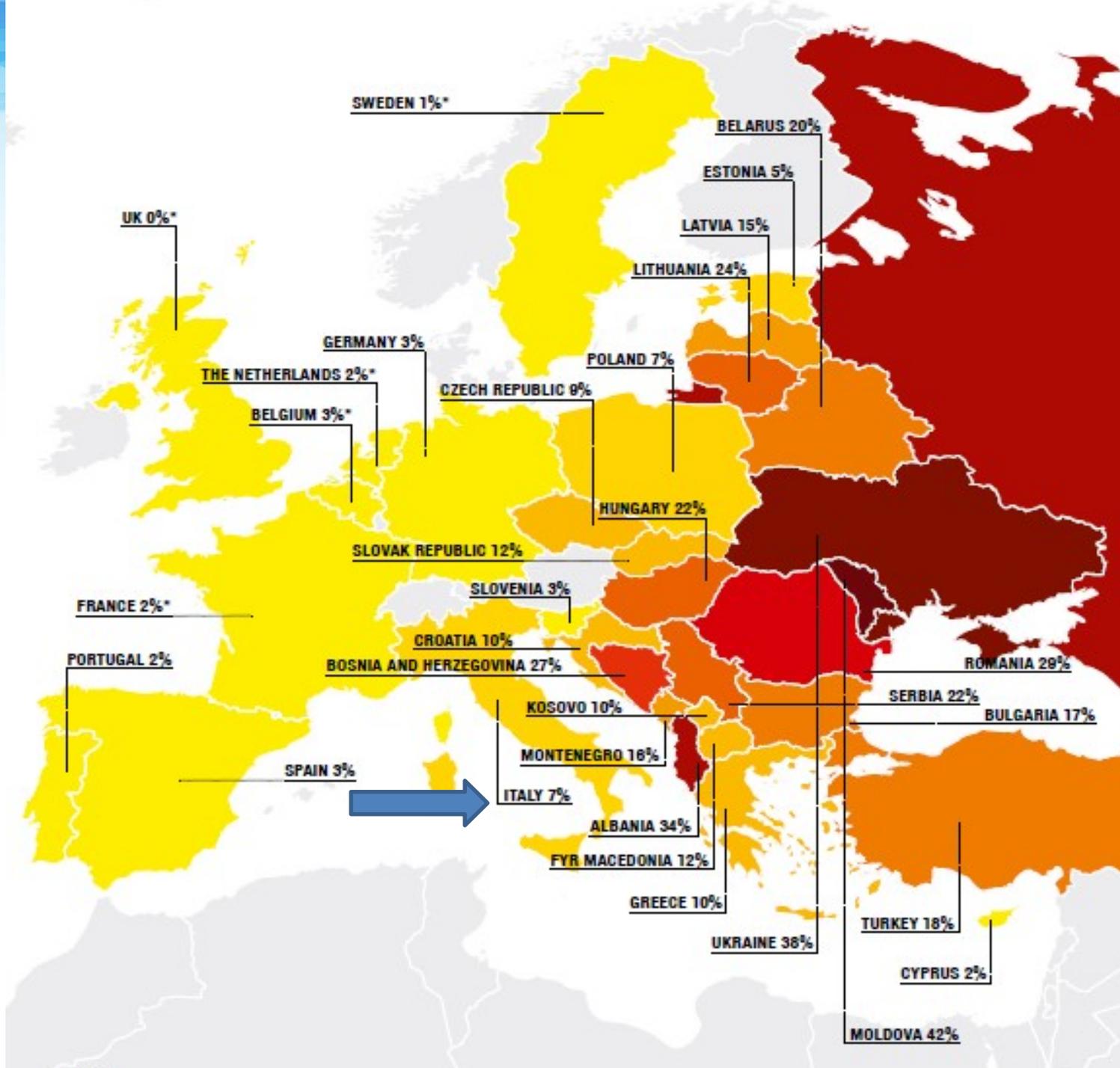
# Network of systemic corruption (party-centered – «mani pulite» style)



- Bribes, money, economic resources
- ..... protection, guarantees of fulfillment
- Information
- consent, political support
- favorable public decisions

# Networks of systemic corruption – polycentric enforcement – post-mani pulite

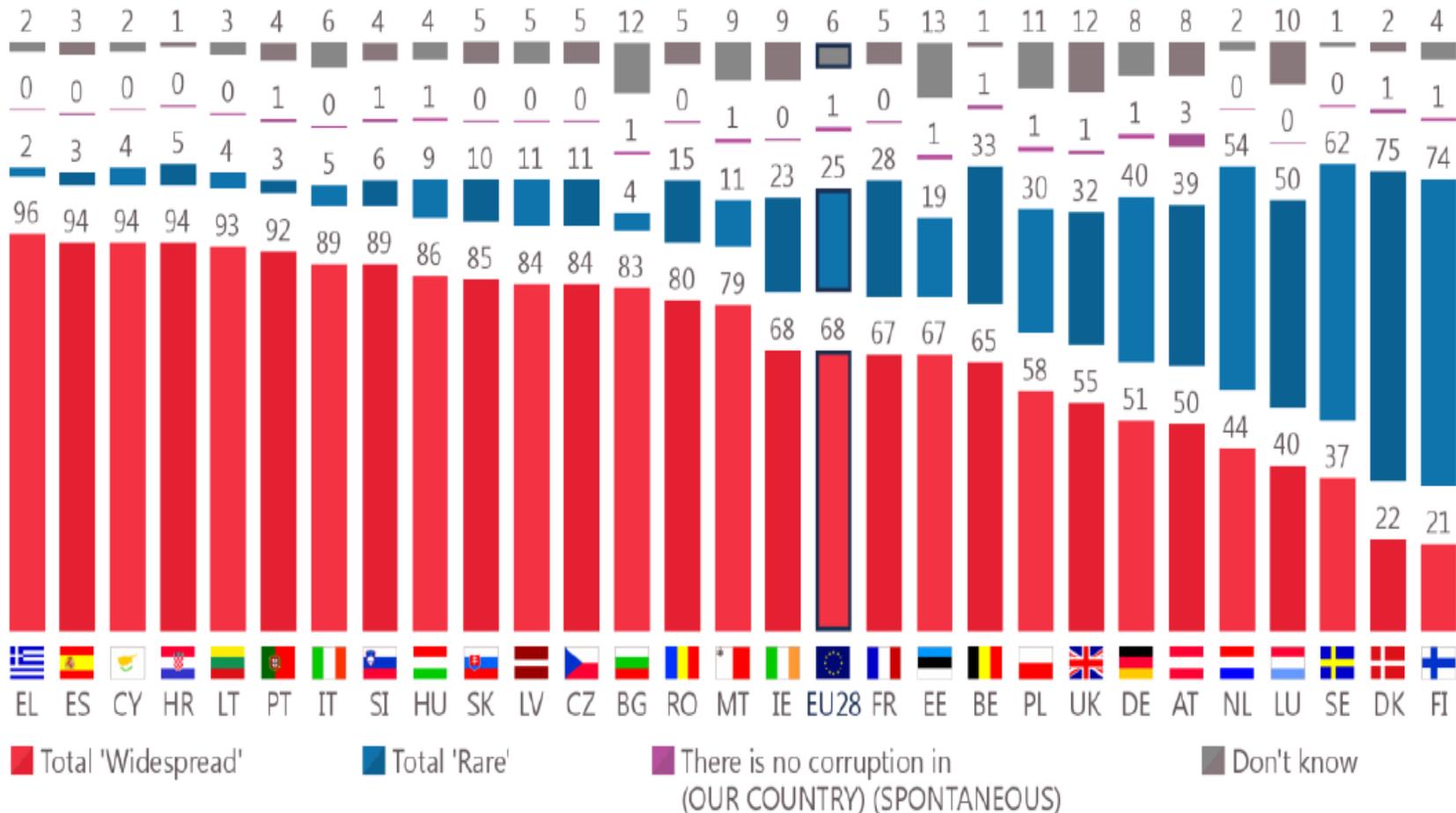




# From Eurobarometer 470, 2017

QB5 How widespread do you think the problem of corruption is in (OUR COUNTRY)?

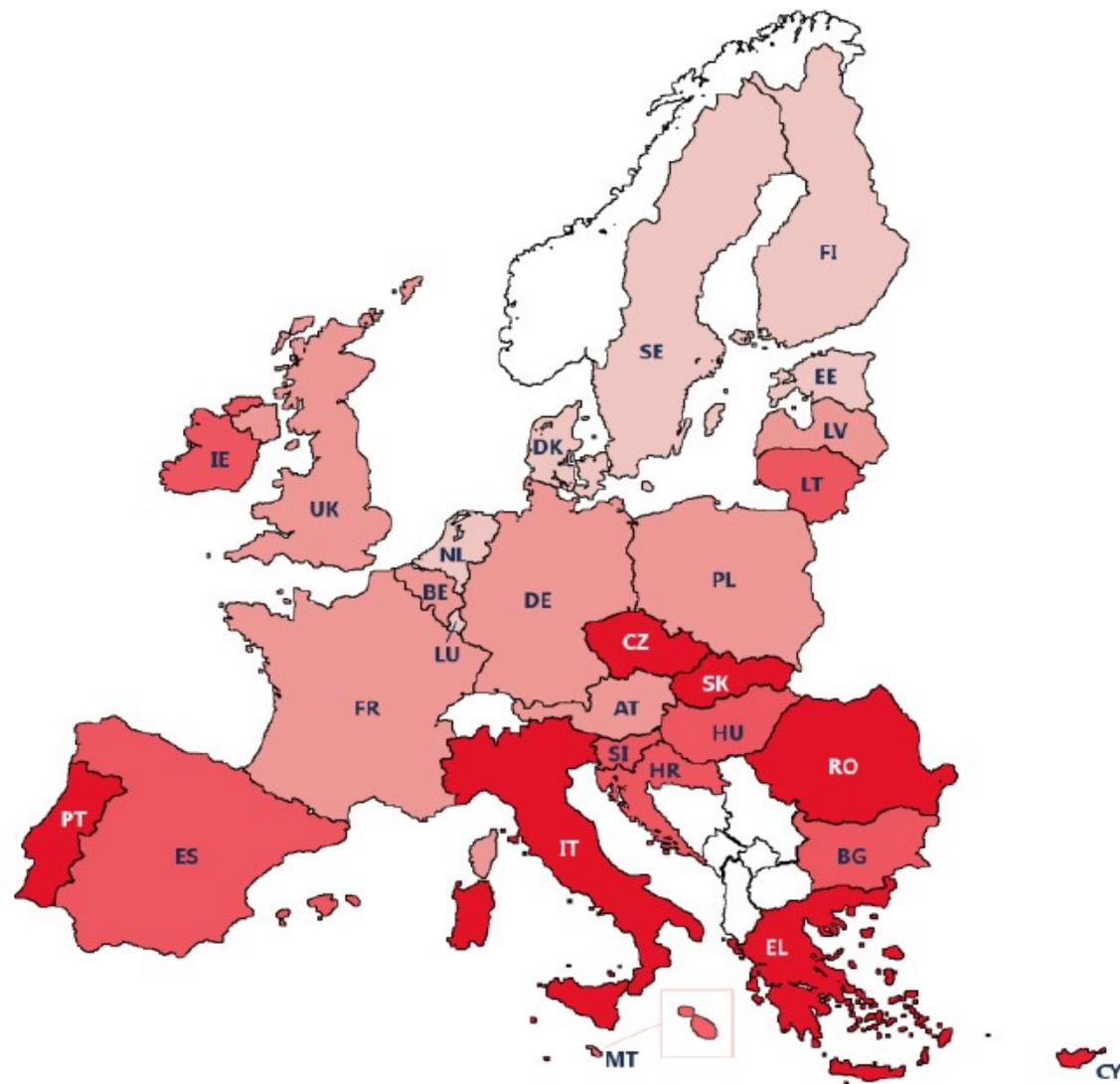
(%)



Base: all respondents (N=28,080)

**QB15.3** Please tell me whether you agree or disagree with each of the following?  
**Corruption is part of the business culture in (OUR COUNTRY)**  
 (% - TOTAL 'AGREE')

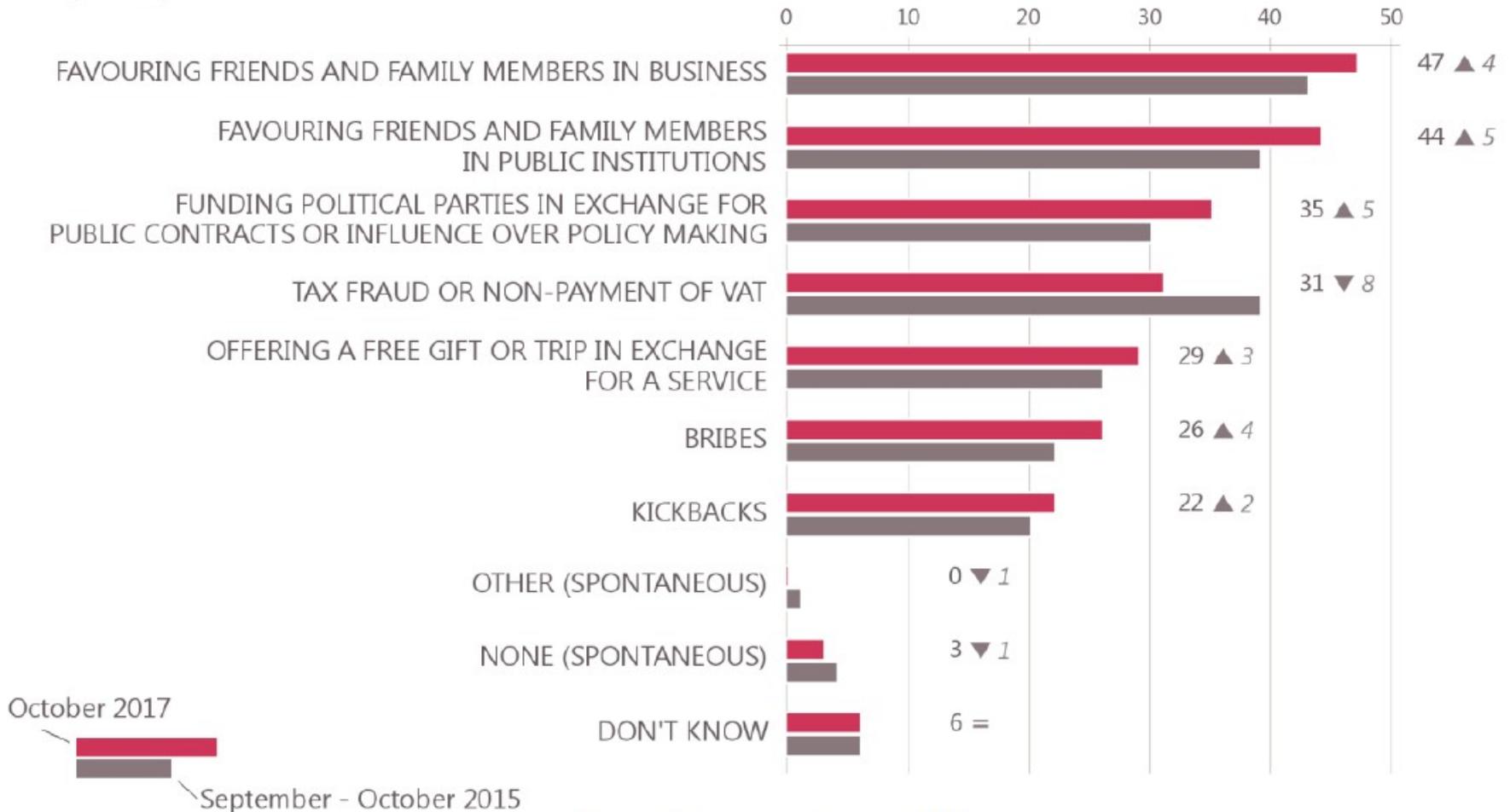
CY		93
IT		84
EL		84
SK		81
RO		80
PT		79
CZ		77
BG		76
HU		76
SI		76
HR		75
ES		75
LT		67
MT		66
IE		65
BE		63
PL		62
EU28		62
FR		58
LV		52
UK		51
AT		50
DE		50
EE		48
LU		35
NL		35
SE		30
FI		28
DK		23



Base: all respondents (N=28,080)

# From Special Flash Eurobarometer 457 – 2017 (companies)

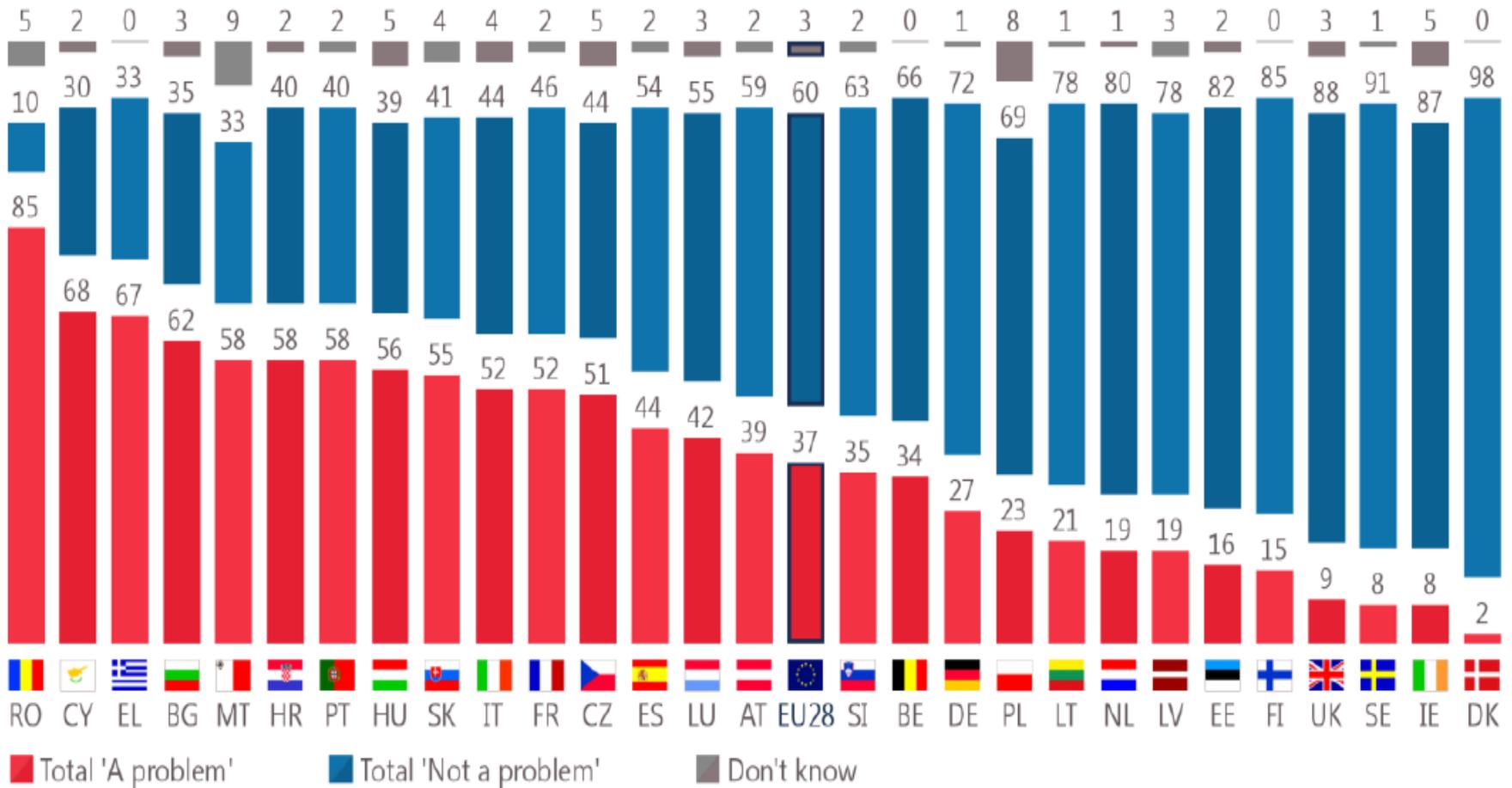
Q6 Which of the following practices do you consider to be the most widespread in (OUR COUNTRY)? (MAX. 3 ANSWERS)  
(% - EU)



Base: all companies (n=7,746)

**Q1.1** Do you consider the following to be a problem or not for your company when doing business in (OUR COUNTRY)?

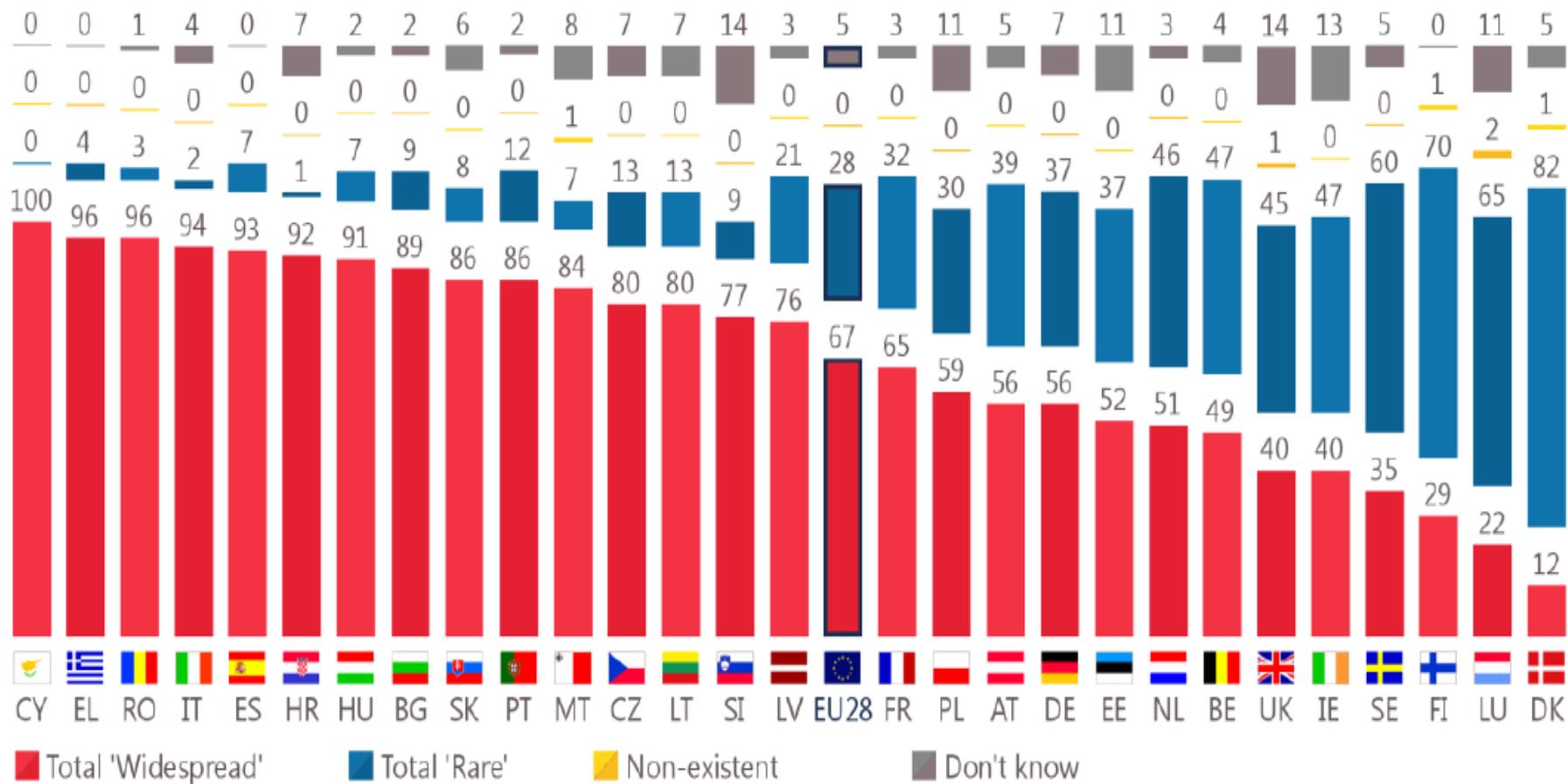
**Corruption (%)**



*Base: all companies (n=7,746)*

### Q3 How widespread do you think the problem of corruption is in (OUR COUNTRY)?

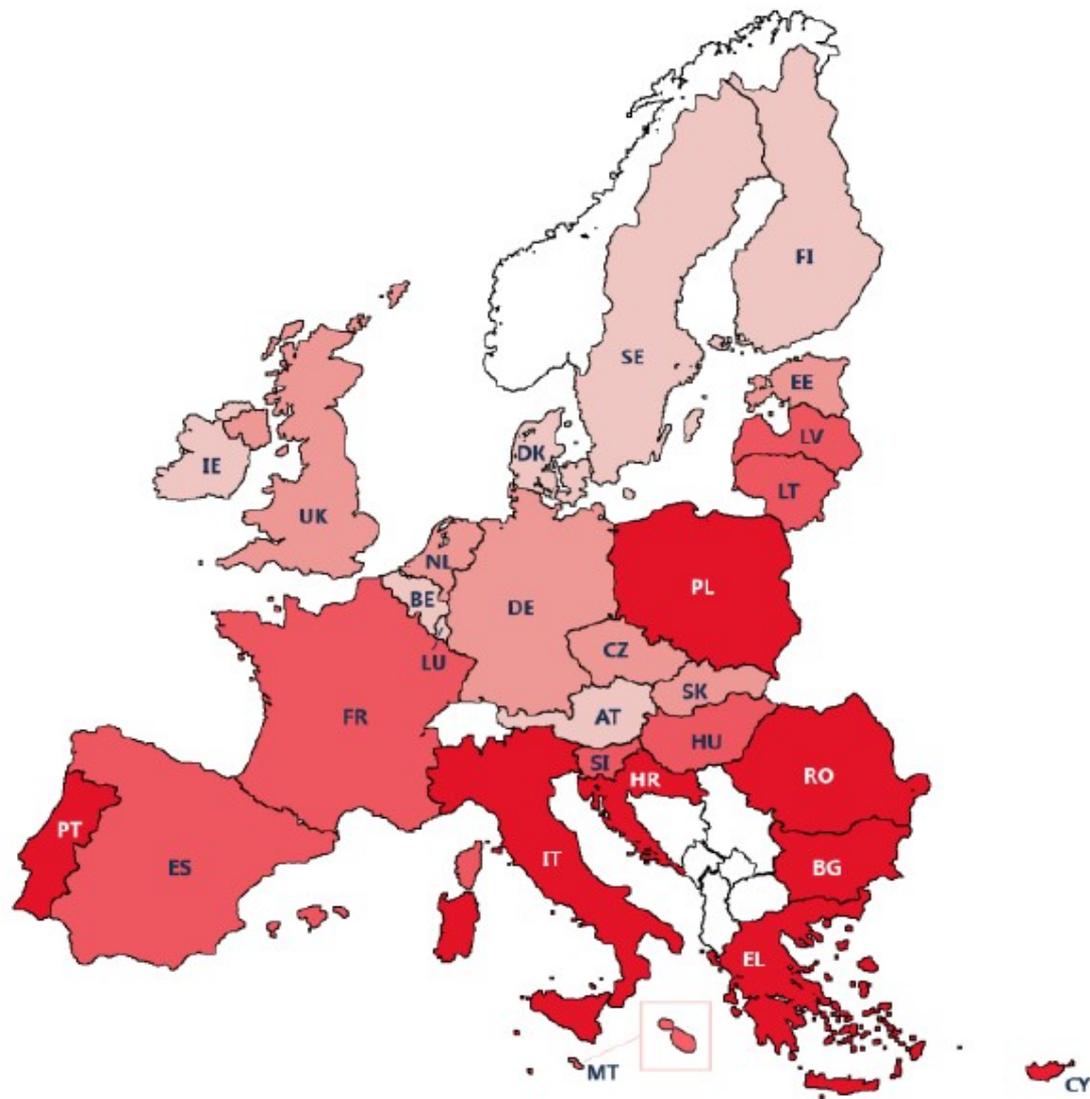
(%)



Base: all companies (n=7,746)

IT		95
RO		93
PT		92
CY		91
PL		91
HR		88
BG		88
EL		88
SI		87
MT		85
HU		83
LT		83
FR		82
LV		81
ES		81
SK		79
CZ		74
EU28		74
NL		66
UK		59
EE		57
DE		56
BE		54
FI		53
AT		52
IE		46
SE		41
LU		38
DK		28

**Q7.5** Do you agree or disagree with the following statements?  
**In (OUR COUNTRY) favouritism and corruption hamper business competition**  
 (% - TOTAL 'AGREE')



Base: all companies (n=7,746)

**D11**

And has anyone in (OUR COUNTRY) asked or expected someone from your company to give a gift, favour, or extra money for any of the following permits or services?

(MULTIPLE ANSWERS POSSIBLE)

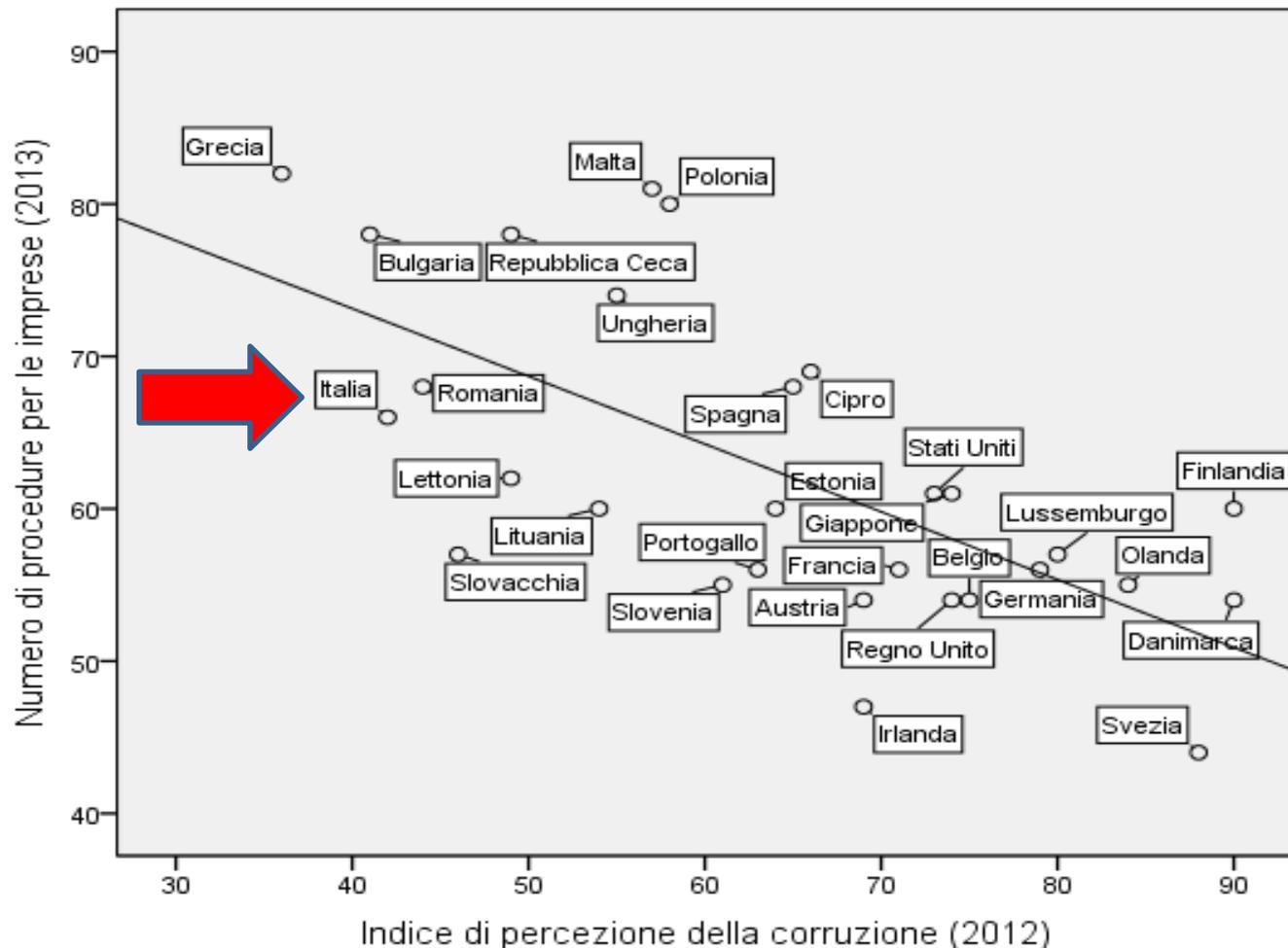
(%)

		Building permits	State aid and social, structural funds	Licence plates or permits related to vehicles	Business permits	Environmental permits including waste and water treatment	Change of land use
		Oct. 2017 - Sep.-Oct. 2015	Oct. 2017 - Sep.-Oct. 2015	Oct. 2017 - Sep.-Oct. 2015	Oct. 2017 - Sep.-Oct. 2015	Oct. 2017 - Sep.-Oct. 2015	Oct. 2017 - Sep.-Oct. 2015
EU28		3 ▲ 1	1 =	1 ▲ 1	0 ▼ 1	0 ▼ 1	0 =
BE		0 ▼ 3	0 ▼ 1	0 =	0 =	0 =	0 =
BG		9 ▲ 1	4 ▲ 3	6 ▲ 4	3 ▼ 1	2 ▲ 2	1 ▼ 9
CZ		4 ▲ 2	4 ▲ 1	0 =	2 ▲ 2	0 ▼ 2	0 =
DK		0 =	0 =	0 ▼ 1	0 =	0 =	0 =
DE		1 ▲ 1	0 ▼ 1	0 =	0 =	0 =	0 ▼ 2
EE		0 ▼ 1	0 =	0 =	0 =	0 =	0 ▼ 1
IE		7 ▲ 7	0 =	1 ▲ 1	1 ▲ 1	0 =	0 =
EL		3 ▼ 5	0 =	2 =	2 =	0 ▼ 4	0 ▼ 2
ES		0 ▼ 3	1 ▲ 1	0 =	1 =	1 =	0 =
FR		0 ▼ 3	1 ▼ 2	1 =	0 ▼ 1	1 ▼ 2	0 =
HR		0 =	0 ▼ 2	2 ▲ 2	3 =	0 =	1 ▲ 1
IT		14 ▲ 14	0 ▼ 4	0 =	0 ▼ 4	0 =	0 =
CY		2 ▲ 1	2 ▲ 2	5 ▲ 5	0 =	1 =	0 ▼ 2
LV		5 ▲ 2	0 ▼ 1	1 ▲ 1	0 ▼ 2	0 =	0 ▼ 1
LT		2 ▼ 6	0 =	0 =	5 ▲ 3	0 ▼ 8	1 ▼ 3
LU		1 ▼ 1	0 =	1 =	0 ▼ 3	0 ▼ 2	0 ▼ 1
HU		8 ▲ 8	2 ▲ 2	5 ▲ 5	1 ▲ 1	3 ▲ 3	0 =
MT		0 ▼ 2	0 =	0 =	6 ▲ 4	0 =	0 =
NL		3 ▲ 3	0 =	2 ▲ 2	0 =	0 =	0 =
AT		8 ▲ 8	1 ▲ 1	0 =	2 ▲ 1	0 =	0 =
PL		2 ▲ 2	1 ▼ 1	2 ▲ 2	0 =	0 =	2 ▲ 2
PT		8 ▲ 8	1 ▲ 1	0 =	0 =	1 ▲ 1	0 =
RO		18 ▲ 15	0 =	0 =	5 ▲ 4	0 ▼ 1	0 =
SI		4 ▼ 2	2 ▲ 2	0 ▼ 6	4 ▲ 2	0 =	2 ▼ 4
SK		1 ▼ 6	0 =	3 ▼ 1	0 =	0 =	0 ▼ 1
FI		0 =	0 =	0 =	0 =	0 =	0 =
SE		0 ▼ 2	0 =	0 =	0 =	0 =	0 =
UK		0 =	0 =	2 ▲ 1	0 =	0 =	0 =

Base: companies that were in contact with authorities (n=3,468)

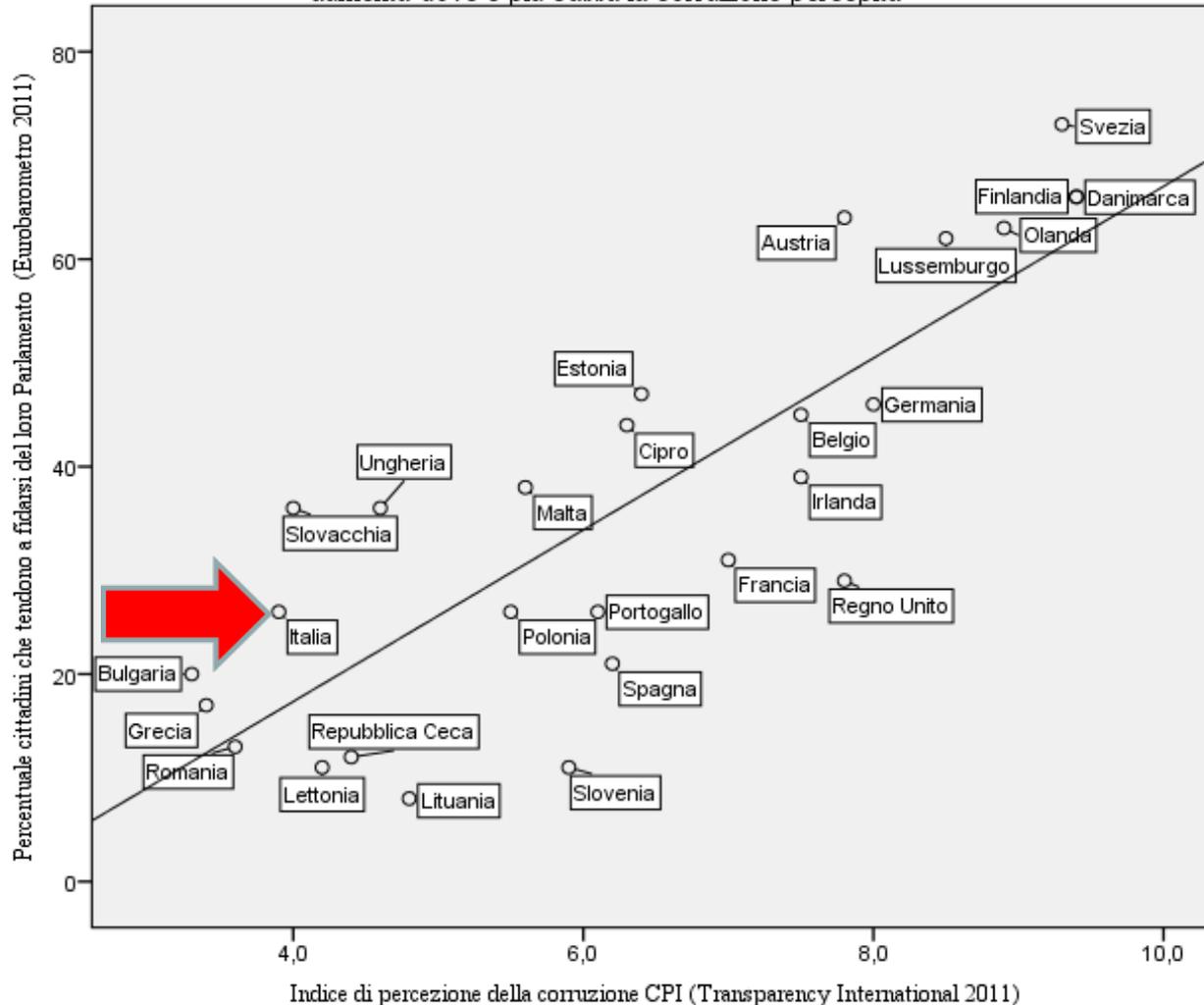
# More corruption, more inefficiencies in bureaucracy (red-tapes, costs, complexity)

Figura 8: Meno corruzione percepita si associa a una più bassa densità di procedure richieste alle imprese (Fonti: Doing Business, World Bank 2013; Transparency International CPI, 2012)



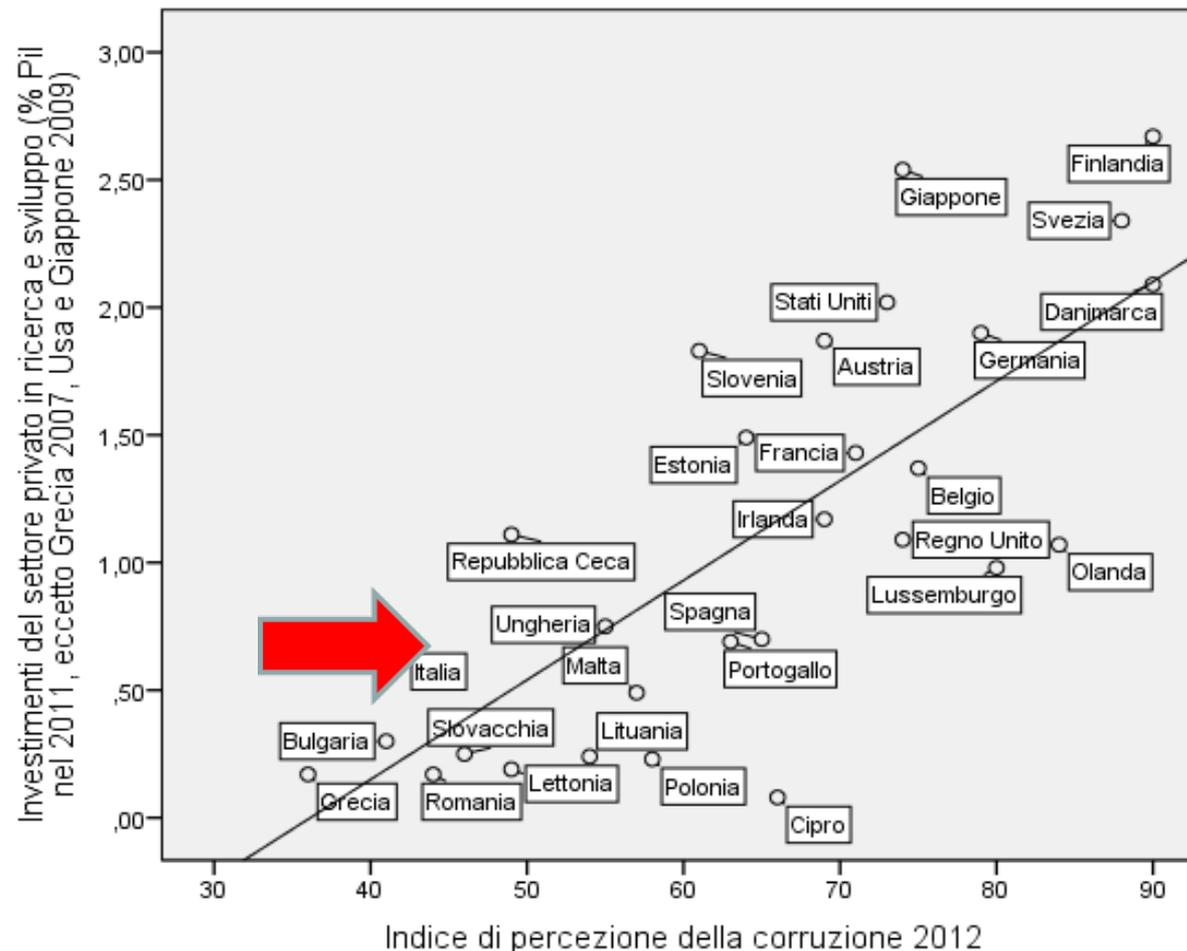
# More corruption, less trust in public institutions

Figura 6.2: Nei paesi dell'Unione Europea la fiducia dei cittadini verso il proprio Parlamento aumenta dove è più bassa la corruzione percepita

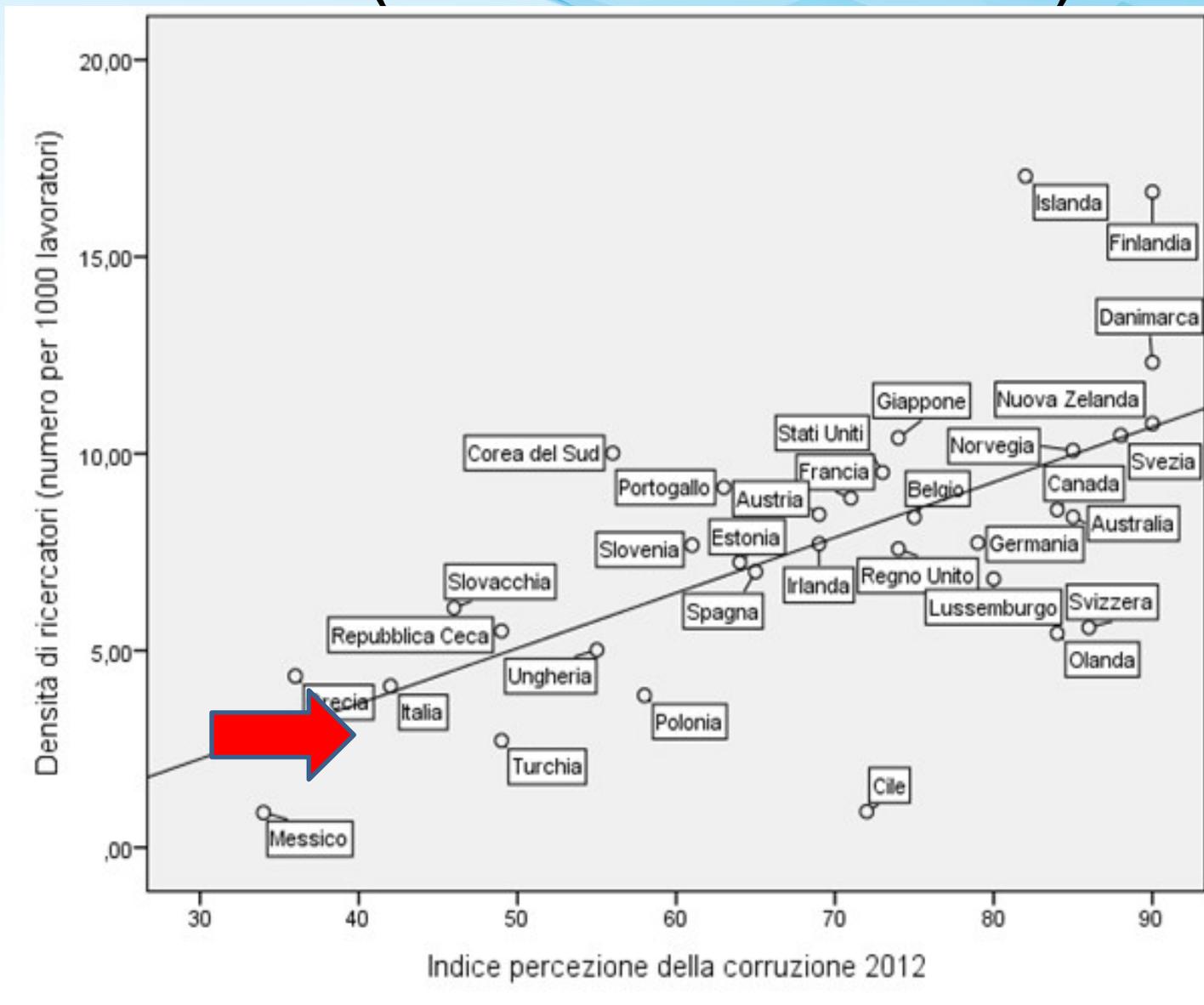


# More corruption, less enterprises investement in innovation, research and development

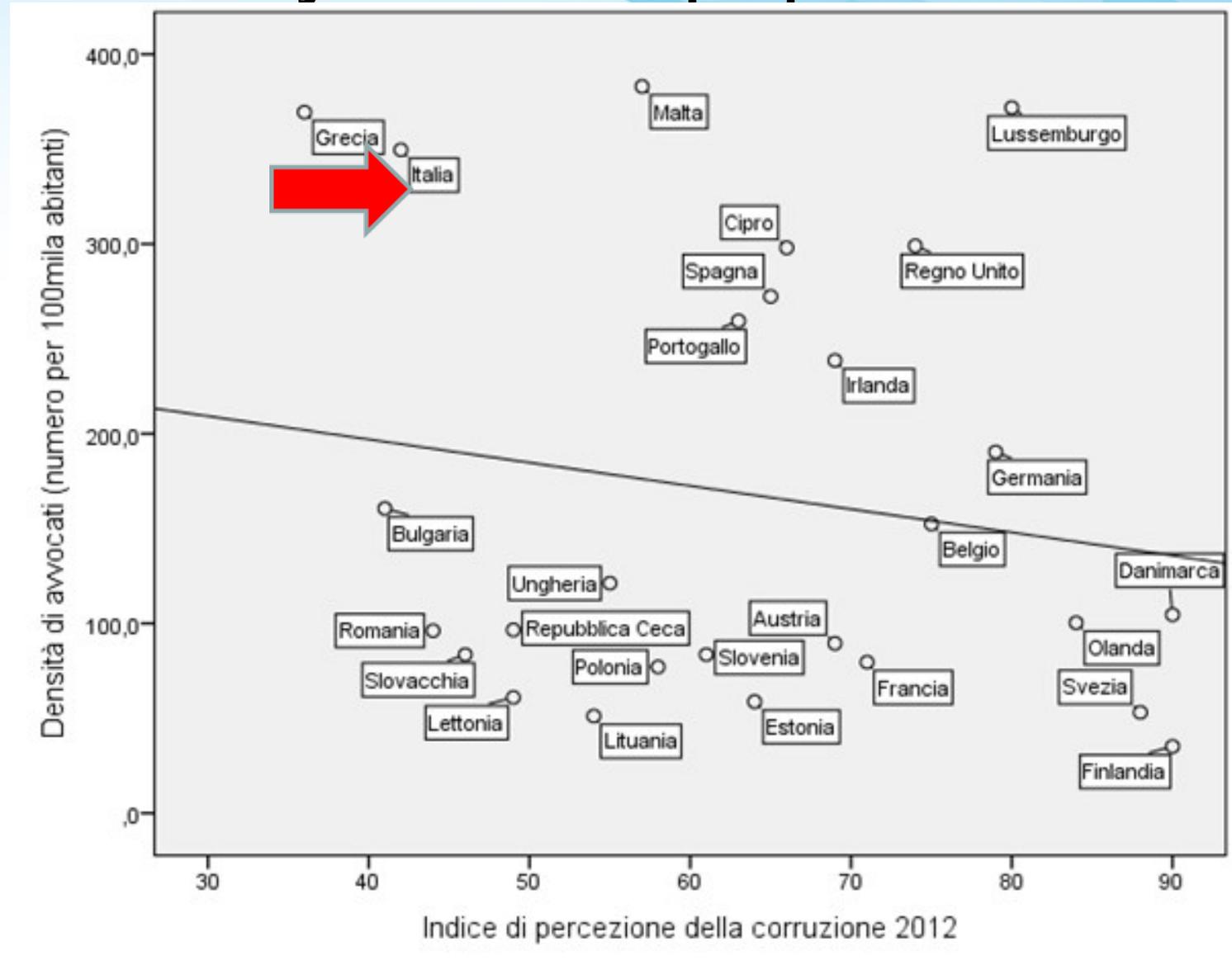
Figura 10: Meno corruzione percepita si associa a più elevati investimenti delle imprese in ricerca e sviluppo (Fonti: Eurostat 2013; Transparency International CPI, 2012)



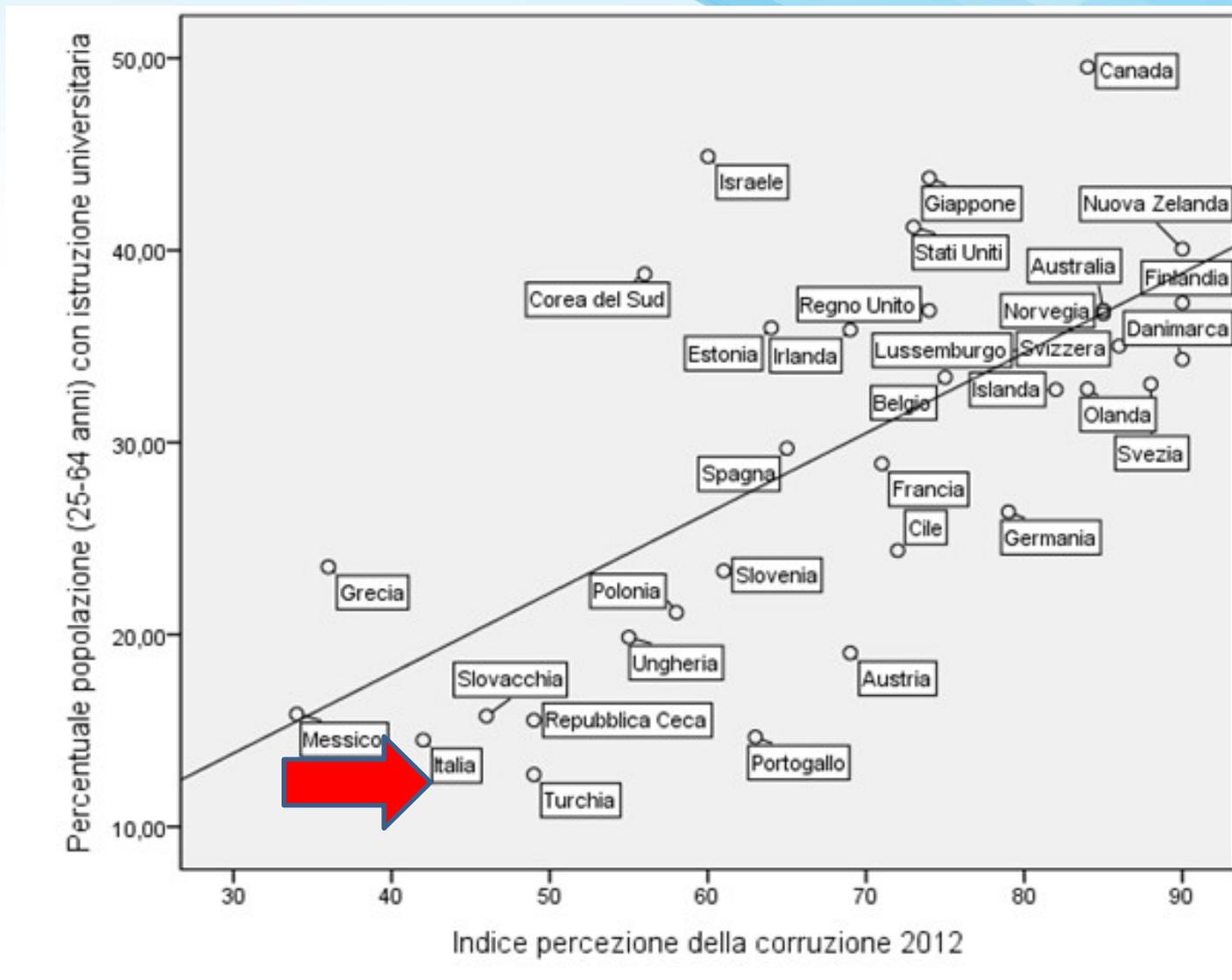
# More corruption, less innovative labor force (fewer researchers)



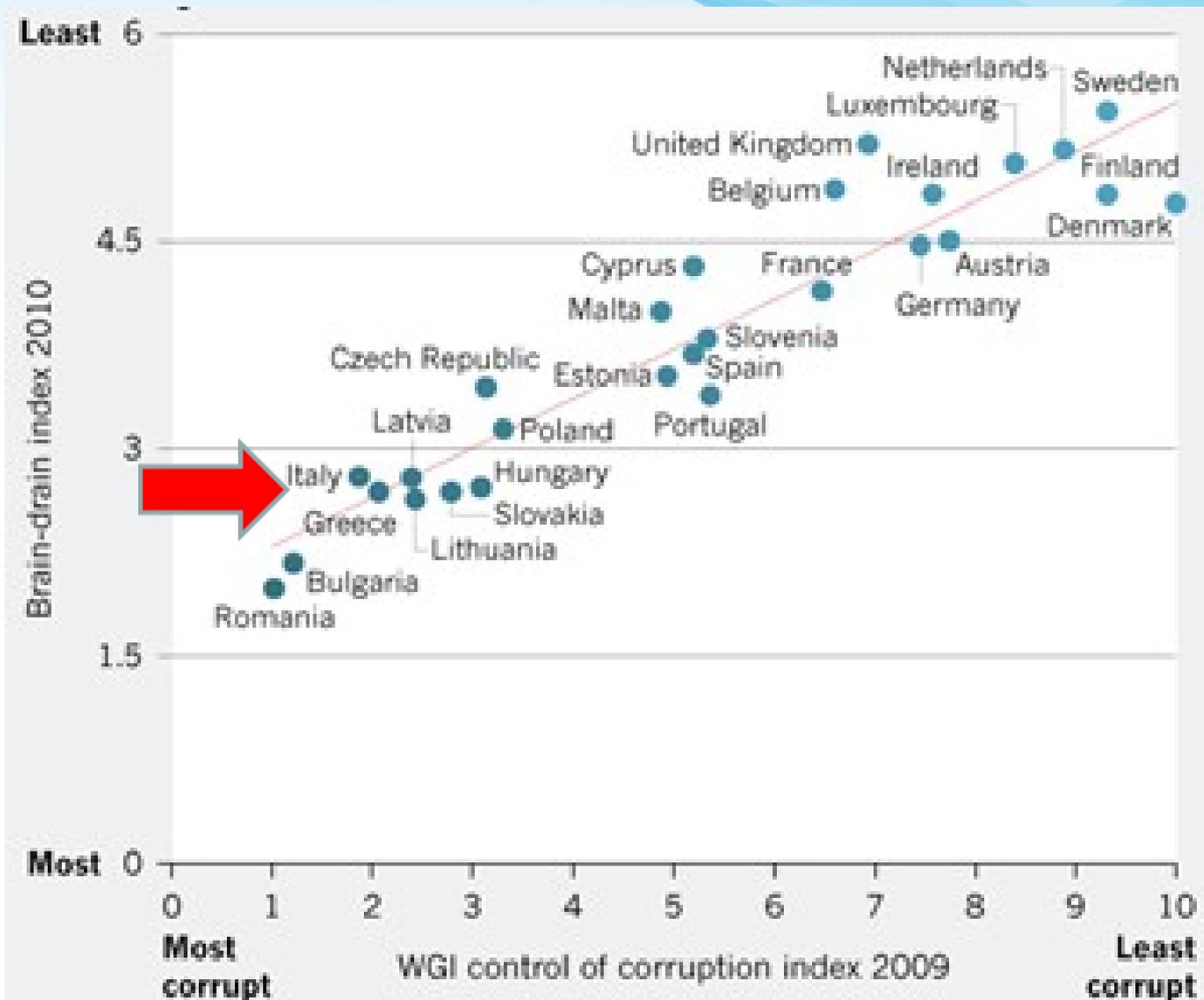
# More corruption, higher density of lawyer in the population



# More corruption, lower rates of education



# More corruption, more brain-drain



# “Red flags” in European tenders

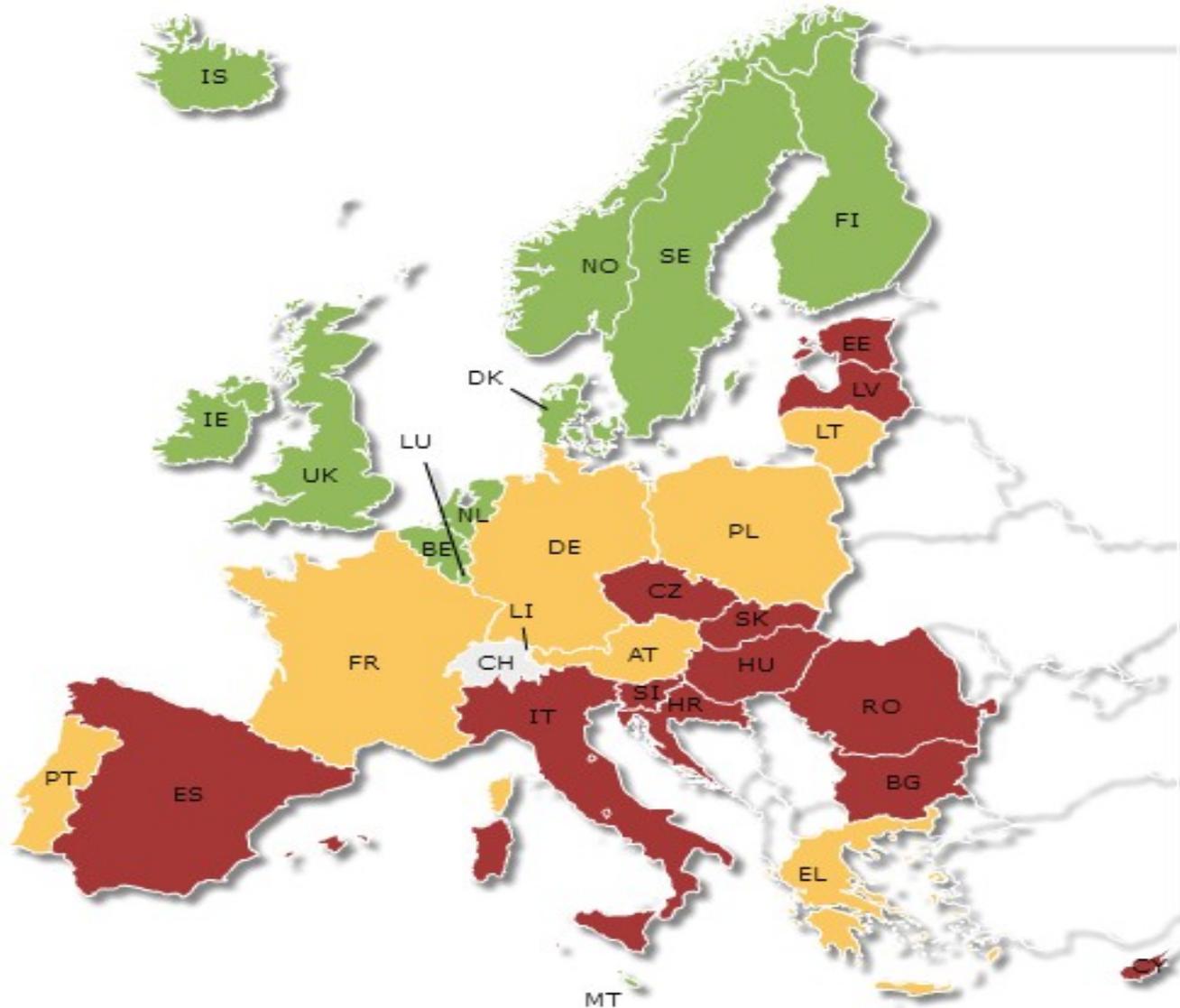


Figure 3: EU Countries with an higher perception of corruption (CPI 2015) have an higher proportion of public tenders with only one bid (European Commission Single Market Scoreboard 2015)

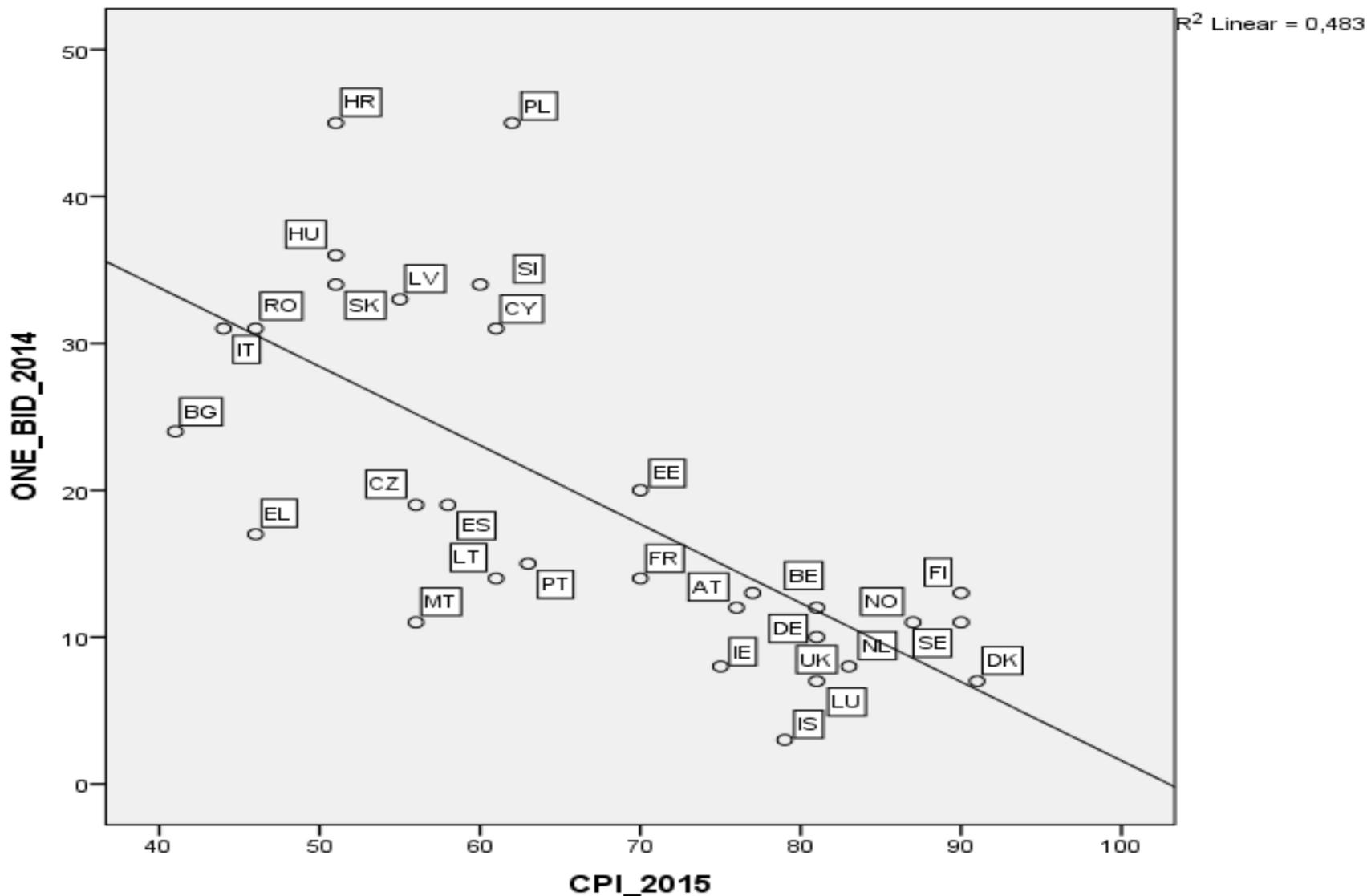


Figure 4: EU Countries with an higher perception of corruption (CPI 2015) have an higher proportion of public tenders with no call for bids (European Commission Single Market Scoreboard 2015)

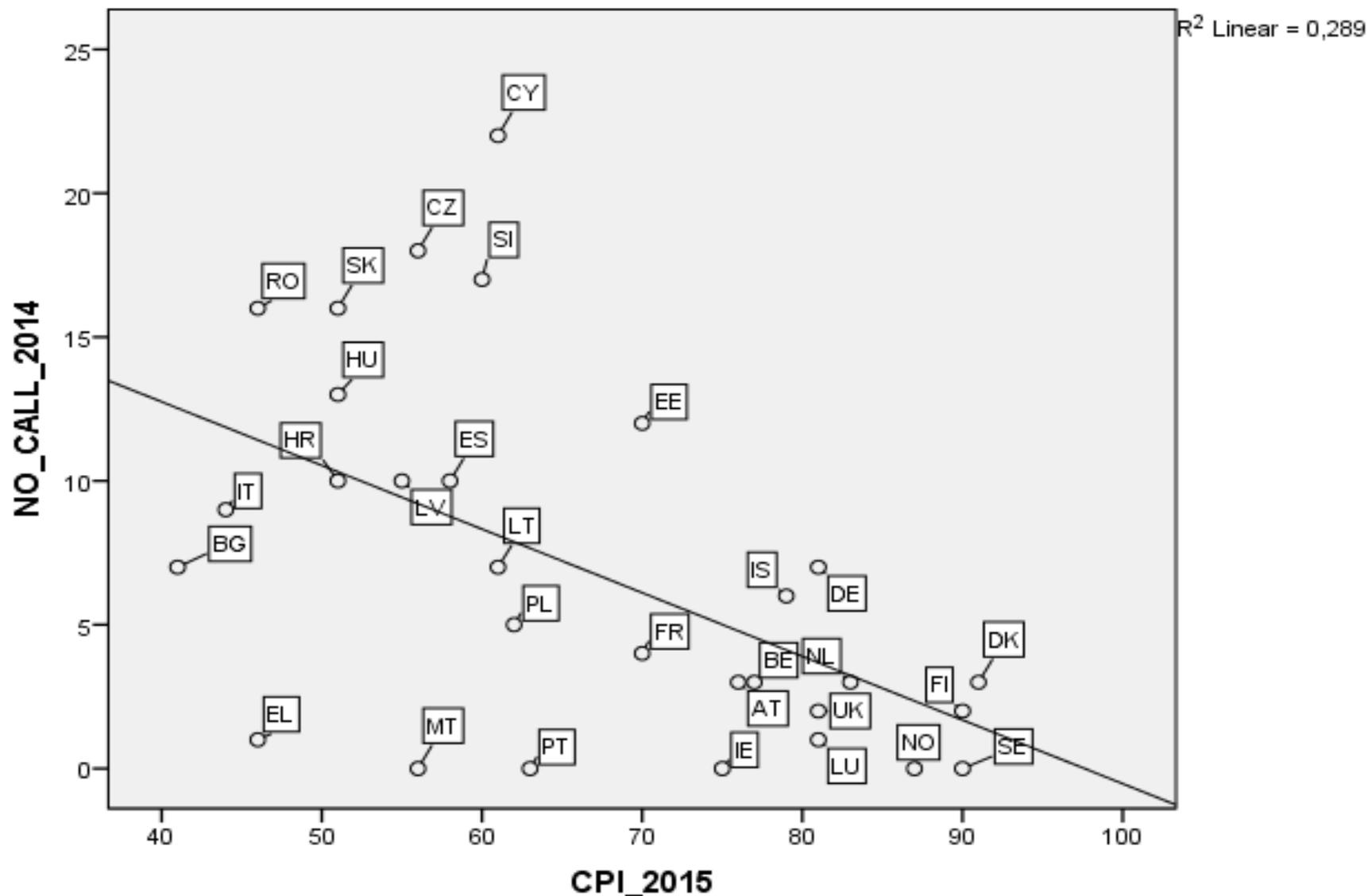


Figure 5: EU Countries with an higher perception of corruption (CPI 2015) have a lower proportion of public tenders with an aggregation of more than one public buyer (European Commission Single Market Scoreboard 2015)

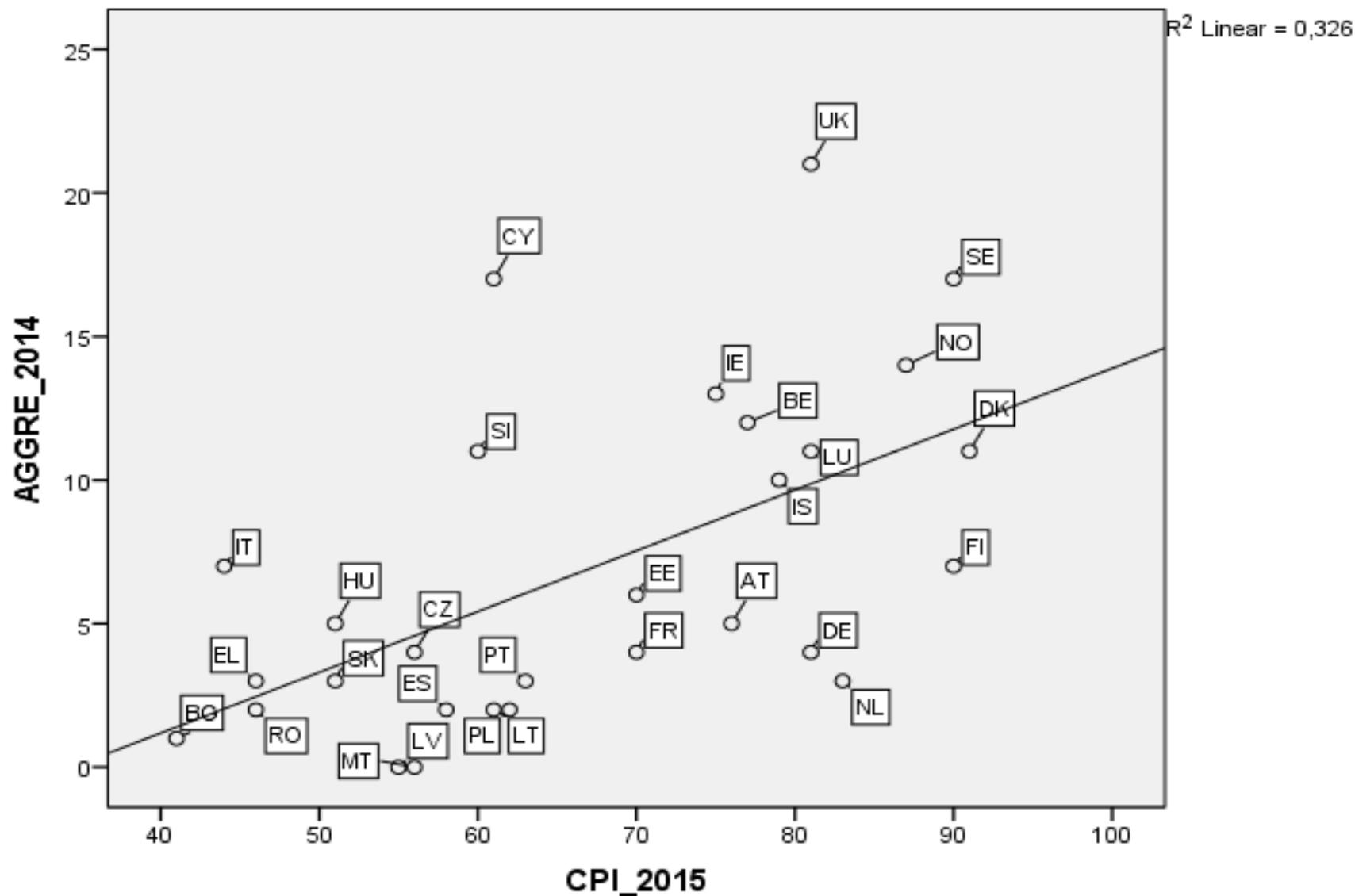


Figure 6: EU Countries with an higher perception of corruption (CPI 2015) have an higher proportion of public tenders awarded only on the basis of the lowest price (European Commission Single Market Scoreboard 2015)

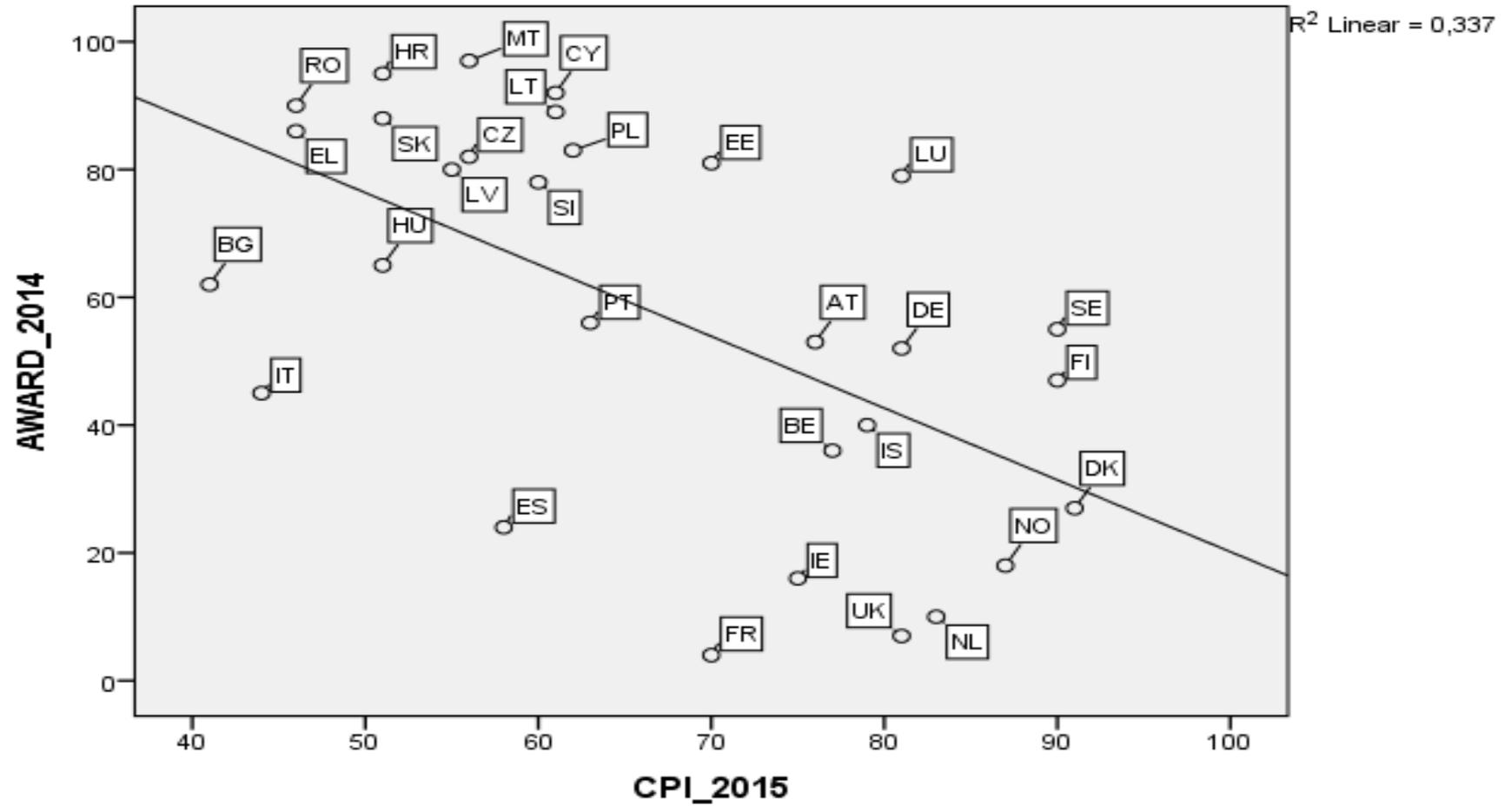


Figure 7: EU Countries with an higher perception of corruption (CPI 2015) have an highest mean decision period (days between the deadline for receipt of offers and the awarding) in open procedures (European Commission Single Market Scoreboard 2015)

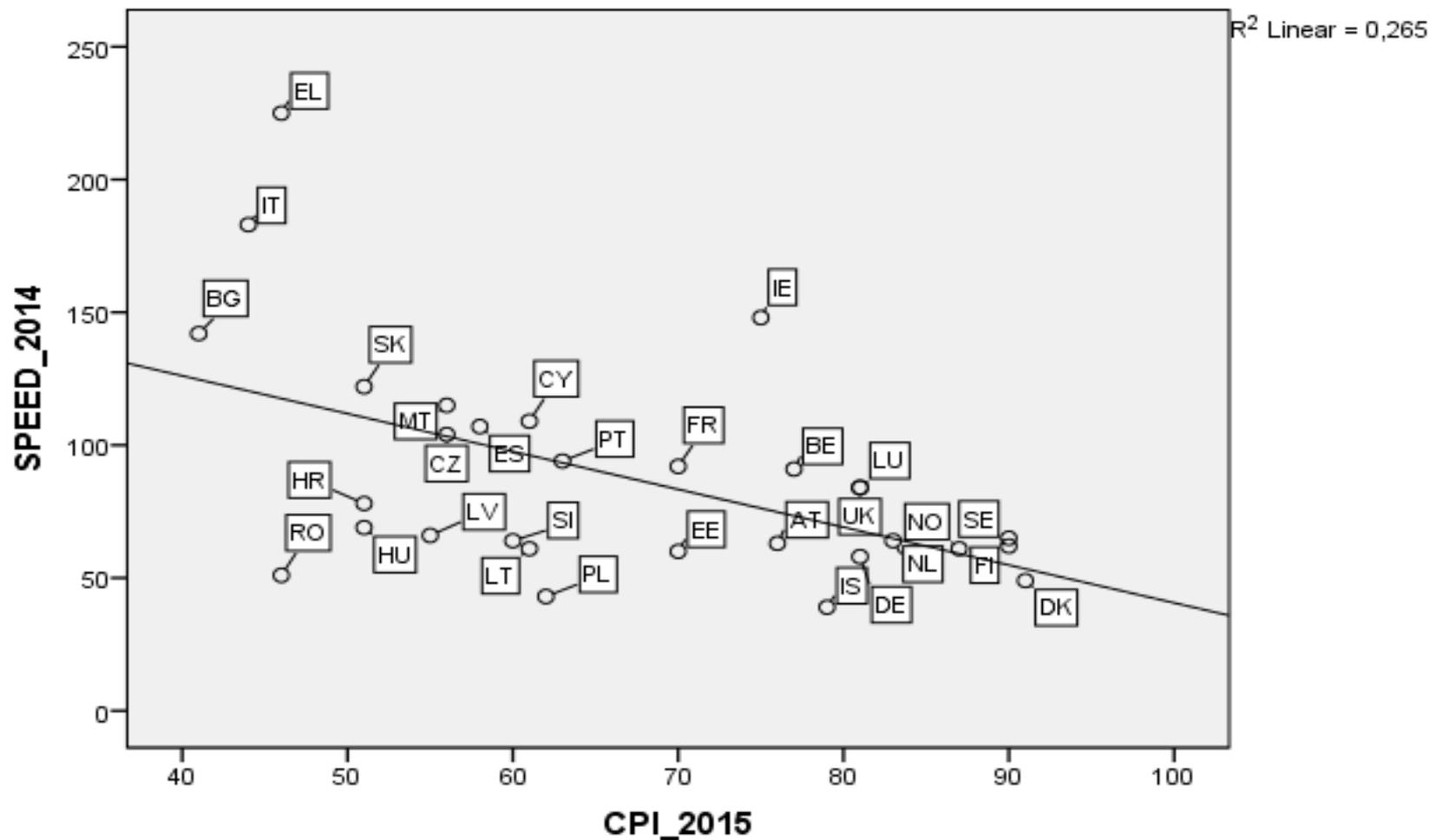
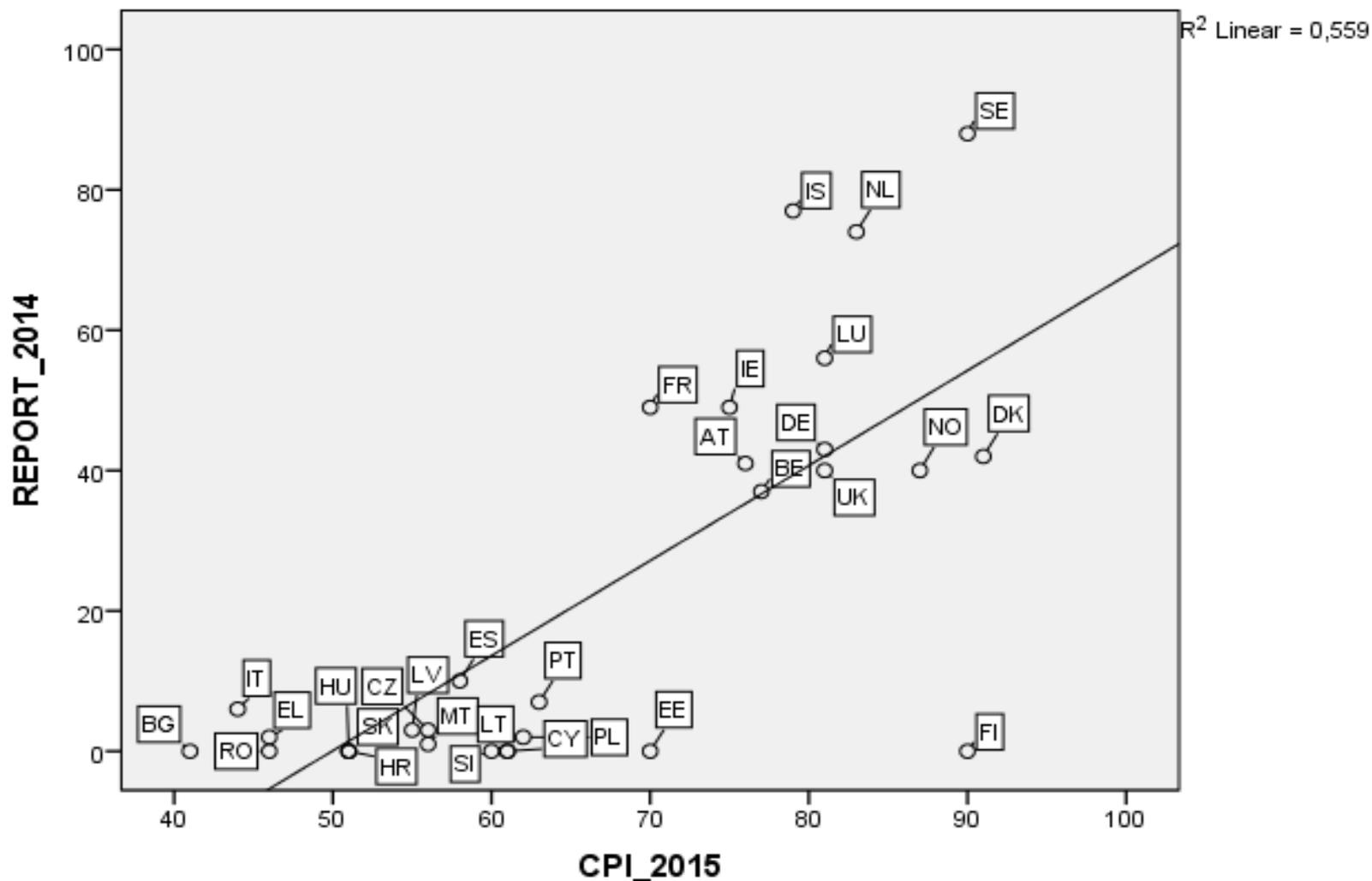


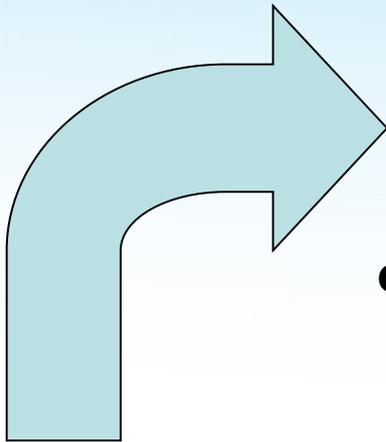
Figure 8: EU Countries with an higher perception of corruption (CPI 2015) have a lowest proportion of contract awards containing information about the value of the contracts awarded (European Commission Single Market Scoreboard 2015)



No straightforward formula, no optimal set of norms, institutions and policies can be generally applied as a parameter for the evaluation of policies against bribery. Every society, organization, decision-making process should find an elusive amalgam of anti-corruption measures and tools.

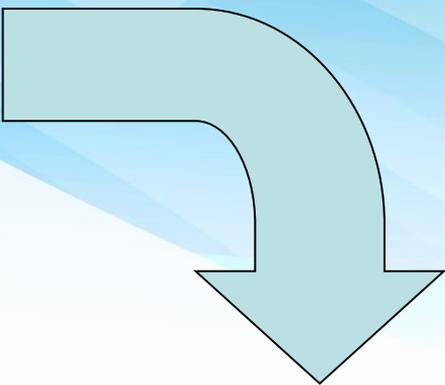
In spite of its intrinsic difficulties and potential failures, the fight against corruption encompasses a fundamental symbolic value in itself, especially in democratic countries. The spread of corruption within a democratic regime, in fact, implies the corruption of virtually all basic democratic principles. The preservation of an anti-corruption stance within the public sphere entails then a shared commitment towards the possibility to improve the quality of public life, the persistence of trust in the potentiality of a democratic system to reform itself.

# The vicious circle: "ineffectiveness of anticorruption tools and citizen's mistrust in public institutions"

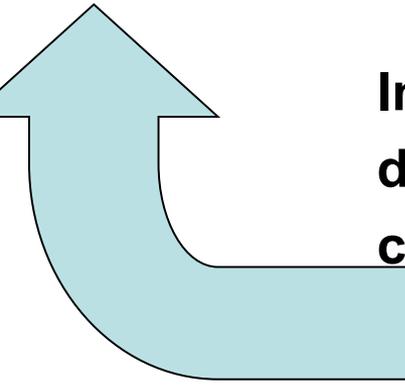


**Mistrust in institutions  
and political leaders, lack  
of social mobilization**

**Perception of widespread corruption  
anticorruption**



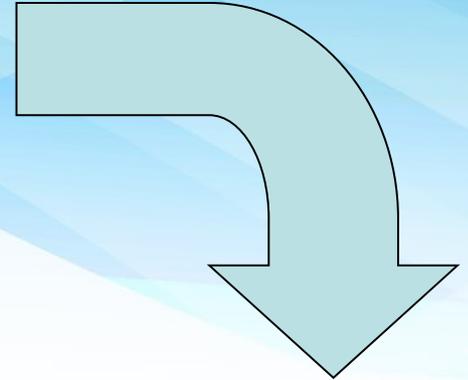
**«Top-down», ineffective  
policies**



**Ineffectiveness of reforms  
due to lack of societal and political  
control on their implementation**

**The virtuous circle: mobilization “bottom-up” in formulation of anticorruption and trust in public institutions**

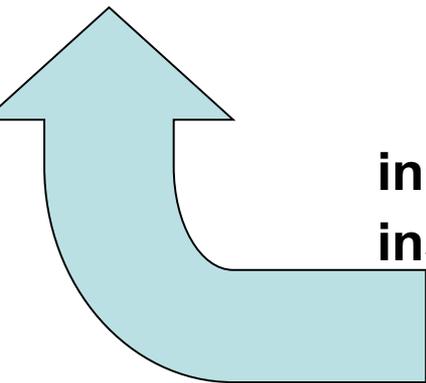
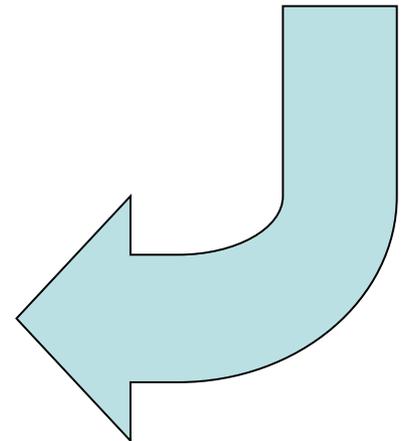
**more effective societal and political control  
on the implementation of  
anticorruption tools**



**Bottom-up involvement of citizens in  
formulation of anticorruption  
and tools**

**positive expectations and the  
beliefs on the effectiveness reforms  
of anticorruption policies**

**increased trust in public  
institutions and political leaders**



# Allegory of «good government» (Ambrogio Lorenzetti – 1338-1339)



# Some bibliographic advice...

- Della Porta and Vannucci, *Corrupt exchanges*, Aldine de Gruyter 1999
- Della Porta and Vannucci, *The hidden order of corruption*, Ashgate, 2012
- Rose-Ackerman, *Corruption and government*, CUP 1999
- Graf Lambsdorff, *The Institutional Economics of Corruption and Reform*, CUP 2007
- Fishman and Golden, *Corruption: What Everyone Needs to Know*, OUP, 2017
- Picci, L. and Vannucci, A., *Lo Zen e l'arte della lotta alla corruzione*, Altreconomia, 2018