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Building the evidence
for OECD integrity and anti-
corruption agenda: The
current situation
and avenues for future
analysis

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ECONOMICS DEPARTMENT

**BUILDING THE EVIDENCE FOR THE OECD INTEGRITY AND ANTI-CORRUPTION
AGENDA: THE CURRENT SITUATION AND AVENUES FOR FUTURE ANALYSIS**

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By: Zuzana Smidova

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ABSTRACT/RÉSUMÉ

Building the Evidence for OECD Integrity and Anti-Corruption Agenda – The Current Situation and Avenues for Future Analysis

Potential economic benefits of integrity and anti-corruption policies seem large. Nevertheless, much of the existing empirical evidence lacks precise and actionable policy indicators that could guide policy makers on tangible improvements of successful reforms. To move the policy analysis further, both policy and outcome indicators are needed. In this context, the paper reviews OECD's involvement in integrity and anti-corruption agenda as well as available indicators of integrity and anti-corruption policies and outcomes. It outlines avenues for future analysis that include assessment of public procurement procedures and policy drivers explaining experience with corruption and public spending efficiency.

JEL Classification: D72, D73, K42

Keywords: anti-corruption, corruption, integrity, OECD, policy indicators, corruption outcome indicators, perceived corruption, experience of corruption, public procurement

L'établissement des preuves du programme d'intégrité et de la lutte contre la corruption de l'OCDE – La situation actuelle et les piste d'analyse future

Les avantages économiques potentiels des politiques d'intégrité et de lutte contre la corruption semblent considérables. Néanmoins, une grande partie des analyses empiriques existantes manque d'indicateurs politiques précis et exploitables qui pourraient guide les décideurs vers des améliorations tangibles des réformes réussies. Pour faire avancer l'analyse, des indicateurs de politique et de résultat sont nécessaires. Dans ce contexte, le document passe en revue la participation de l'OCDE au programme d'intégrité et de lutte contre la corruption ainsi que les indicateurs disponibles de telles politiques. Il présente des pistes d'analyse future qui incluent l'évaluation des procédures de marchés publics, des facteurs politiques expliquant l'expérience de la corruption et l'efficacité des dépenses publiques.

Classification : D72, D73, K42

Mots clefs: politiques d'intégrité, lutte contre la corruption, l'OCDE, des indicateurs de politique, l'expérience de la corruption, corruption ressenti, l'achat publics.

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Building the Evidence for the OECD Integrity and Anti-Corruption Agenda: the Current Situation and Avenues for Future Analysis

Zuzana Smidova¹

1. Introduction and summary

1. “*Reduction of corruption and bribery in all their forms*” is one of the UN’s Sustainable Development Goals. The potential economic benefits of integrity, which implies addressing many of the conditions that allow corruption in the public and private sectors to thrive, seem large. Moreover, trust in the integrity of government has come to the forefront in the current pandemic environment, as businesses and individuals are asked to comply with directives on a scale usually only experienced in wartime.

2. Although corrupt behaviour is difficult to detect and measure, estimates of annual bribes paid from micro-data put the cost at around 2-3% of global GDP annually (Rose-Ackerman, 2004, IMF, 2016). These estimates are likely to be on the low side, as survey respondents tend to be reticent to report on socially unacceptable behaviour and such bribes concern by and large only petty corruption. A recent IMF report estimates significant and widespread potential gains from improving ‘control of corruption’: increased revenue collection (1.25% global GDP); improved profitability of state-owned enterprises and public investment efficiency; as well as general outcomes in education (IMF, 2019).

3. Currently, cross-country empirical evidence on the effectiveness of anti-corruption and integrity policies for OECD countries is scarce. Much of the cross-country empirical work on corruption is based on composite indicators of experts’ perceptions, which often finds that improving a country’s score is associated with large economic effects. However, quite apart from inherent causality and collinearity problems, such studies are not informative about what specific policies are needed (Box 1).

4. Given its crucial role in standard setting, monitoring and dissemination of good country-practices, the OECD is well placed to examine the impact of reforms to fight corruption and foster integrity. A large body of the Secretariat’s work consists of collecting country-specific experiences of anti-corruption reforms. Planned advances in data collection will allow for a more disaggregated approach that has the promise of more precise and actionable indicators on which to base specific policy advice.

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Box 1. Limitations of composite indicators of experts' perceptions of corruption

By nature, corrupt behaviour is difficult to measure. Much research has relied on composite indices of experts' perceptions. Nevertheless, there are a number of important shortcomings that need be borne in mind when using them.

Transparency International's Corruption Perception's Index (CPI) and Control of Corruption (CC) from the World Bank's Worldwide Governance Indicators are the two most prominent perception-based indicators, which have been used in a number of empirical studies, including recent OECD work (e.g. Égert and Gal, 2017; Fournier and Johansson, 2016). They are strongly correlated with each other and their main advantage is wide time and country coverage (Chabova, 2017).¹

Both of these indices are highly aggregated and rely extensively on secondary sources, mainly experts' perceptions. For example, the CPI is a 'poll of polls' as it builds largely on expert opinions from a multitude of institutions that conduct their own surveys using various different metrics. Many of these sources rate a subset of countries, as a result of which, all components of the CPI do not come from the same source, and are not the same across years. Similarly, the CC draws on multiple expert perceptions and some household opinion polls of both private and public sector corruption, certain of which are not publically available. Aggregating and averaging the multitude of sources is problematic, as well as grouping together diverse issues such as 'conflict of interest' and 'amounts of bribes paid'.

Year-to-year comparisons are not very meaningful. A rank change can happen solely because a new country enters the index or another one drops out, while a stable country ranking can be a result of all countries improving. Transparency International changed their methodology of the CPI in 2012. The scales of the CC are largely arbitrary and cannot be reliably used for monitoring of changes over time. Differences between countries are meaningful only when they differ by so much that their confidence intervals do not overlap (Oman and Arndt, 2016). As pointed out by Kaufmann et al. (2002), about half of the variance of changes over time in the CC were due to changes in weights assigned by the aggregation procedure and from source changes.

Although useful as a high-level summary measure and for attracting media attention, these indicators are ill-suited for country-specific policy advice. The types of corruption vary across countries, it is difficult to link such indices to any specific policy measures and they can actually create disincentives to enforcement (when media reporting on uncovered corruption cases increases perceptions of corruption policy makes may become reluctant to push for strong enforcement).

These shortcomings have implications for policy analysis. As illustrated for instance by estimation results from the OECD's Quantification of Structural Reforms Framework, using such corruption measures at the macroeconomic level can suggest implausibly large effects from improving control of corruption. In a worldwide sample, Égert (2017) finds that the effect from improving a country's score on the Control of Corruption indicator by 1 point, equivalent to a one standard deviation improvement on a cross-section basis, increases productivity by around 40% in the long-term. One reason for doubting the size of these effects is that the CC index is highly correlated with the World Bank's other governance indicators (such as 'government effectiveness' or 'rule of law') so that large estimated effects are likely picking up effects from a potentially much wider range of governance changes, which are collinear with corruption.

1. The CPI was launched in 1995 covering initially 18 and expanding to 40 countries. The CC was launched in 1996, initially published every second year until 2002, since then annually and covers 40 countries (Chabova, 2017).

5. This paper starts by reviewing OECD's involvement in integrity and anti-corruption agenda and presents specific and actionable indicators, many of which originate in OECD work (Section 2). Drawing on Jin (2020, *forthcoming*) Section 3 presents avenues for future analysis, partly dependent on ongoing data collection. Annex A offers a summary of integrity issues covered in recent Economic Surveys over the period 2017-19.

2. Inventory of main OECD instruments and available indicators of anti-corruption and integrity policies

6. The OECD has an arsenal of instruments for promoting integrity and fighting corruption. These go often beyond basic detection and prosecution, calling on countries to put into place a comprehensive culture of integrity in both the public and private sector.

Box 2. An overview of OECD's bodies, programmes and instruments covering integrity and corruption

Bodies

Six bodies deal specifically with corruption: Working Group on Bribery, Public Governance Committee, DAC Network on Governance, Working Party of Senior Public Integrity Officials (body of Public Governance Committee), Task Force on Tax Crimes and Other Crimes and the Working Party on Responsible Business Conduct.

Furthermore, 13 supporting bodies deal with issues of corruption in a wider economic context. These include for instance the Competition Committee, Working Party of State Ownership and Privatisation Practices or the Working Party of the Leading Practitioners on Public Procurement as well as the Economic Development and Review Committee.

Regional programmes

Several regional networks exist, often as a joint initiative with other international organisations:

- Anti-corruption Network for Eastern Europe and Central Asia;
- ADB/OECD Anti-Corruption Initiative for Asia and the Pacific;
- MENA-OECD Working group on Civil Service and Integrity;
- MENA-OECD Business Integrity Network;
- OECD-IDB LAC Public Integrity Network;
- OECD-Latin America Anti-Corruption Initiative;
- Initiative to Support Business Integrity and Anti-Bribery Efforts in Africa;
- Country Dialogues on Using and Strengthening Local Systems under the Effective Institutions Platform of overseas development aid;
- OECD International Academy for Tax Crime Investigation.

Instruments

OECD instruments dealing with corruption include a convention (Convention on Combatting Bribery of Foreign Public Officials in International Business Transactions), declaration (Declaration on Propriety,

Integrity and Transparency in the Conduct of International Business and Finance) and a great number of Council Recommendations. There are also numerous guidelines, tools, principles and manuals.

Many of the bodies and regional programmes mentioned above produce country monitoring reports or reviews, covering OECD as well as non-OECD countries. Several annual reports and outlooks are also published (e.g. Government at a Glance, Regulatory Policy Outlook).

2.1. Public Sector Integrity

7. The experience of OECD countries shows that traditional approach based on rules, stricter compliance and tougher enforcement has achieved limited success in decreasing corruption, unless combined with other strategies (Lambsdorff, 2009). This is why policy advice has been broadened to addressing public sector integrity, defined as “*a consistent alignment of and adherence to, shared ethical values, principles and norms for upholding and prioritising the public over private interest in the public sector*” (OECD, 2017a). Through this lens, anti-corruption measures can be seen as those responding to past wrongdoings, while the broader concept of integrity has a potential to address most causes of past as well as future corruption.

8. Assuming adequate and effective detection and sanctions of corrupt behaviour are in place, the policy focus in most OECD countries is on strengthening a wide-ranging culture of integrity. A number of OECD recommendations address various facets of the public sector. Building on these, **OECD Recommendation on Public Integrity** (OECD, 2017a) provides a roadmap for a comprehensive public integrity strategy along the following three pillars: i) reducing opportunities for corrupt behaviour, ii) creating culture where corruption is socially unacceptable and iii) ensuring accountability.

9. Existing OECD data on public sector focus largely on specific features of the regulatory frameworks (e.g. OECD Regulatory Policy and Governance, Product Market Regulation etc.) (Table 1). There have been several rounds of country questionnaires, including members and non-member countries, on regulatory management systems and openness of public sector on publication of data. Features such as stakeholder engagement, or number of oversight bodies could be related to corruption risks, but to-date there has not been a systematic collection of such data². External data sources include the high-level expert based perceptions indicators such as the Control of Corruption and Global Corruption Barometer (that includes both public perceptions and experience).

10. On-going work of the Public Governance Directorate is developing a set of indicators for each of the 13 principles of 2017 Recommendation. These include sub-indicators on establishing minimum legal, procedural and institutional safeguards for the independence, mandate and operational capability of essential actors in the integrity system as well as outcome-oriented sub-indicators drawing on administrative data and surveys. A pilot phase is under way, and full scope data collection is planned during 2020/2021. The data will become available in late-2021 and will serve as a basis for a monitoring report on the adherence to the 2017 recommendation to the Council due in 2022. This data has a strong potential to fill a number of significant information gaps on performance of OECD countries in terms of anti-corruption and integrity policies. Given its focus on specific features of policy frameworks, it can also be of better use in terms of policy guidance.

² This data has been published in respective editions of the Government at a Glance Series, while no centralised database has been established so far.

2.2. Regulatory, policy and state capture

11. Competition authorities and sectoral regulators play a crucial role in ensuring level playing field in the economy. To effectively fight bid rigging and cartels, both authorities need independence in decision-making that hinges crucially on budgetary predictability as well as appointment and dismissal standards for its leaders, appropriate mandate for detection and enforcement of corrupt behaviour including an adequate level of fines (OECD, 2019a). OECD instruments on competition law and policy include **Recommendation on Competition Policy and Exempted or Regulated Sectors** (OECD, 1979), **Recommendation Concerning Structural Separation in Regulated Industries** (OECD, 2001b) as well as **Recommendation on Competition Assessment** (OECD, 2009a).

12. Data on the governance of the regulators in six network sectors – electricity, gas, telecom, railroad transport infrastructure, airports and ports is collected by the Product Market Regulation questionnaire since 2013. This data concerns their independence, accountability and scope of action (Casullo et al., 2019). Competition authorities are covered by the competition law and policy indicator that contains information on the independence, accountability and procedural fairness (Alemani et al., 2013) (Table 2).

13. In international trade, corruption creates a non-tariff barrier. Estimates show that loss of revenue caused by customs-related corruption costs World Customs Organization (WCO) members at least USD 2 billion in customs revenue each year, it can also act as a deterrent to foreign investment as illustrated in the empirical literature. The OECD Trade Facilitation Indicators (TFI) measure the regulatory framework as well as the state of implementation of various trade facilitation measures. Moisé and Sorescu (2019) show that countries with more efficient border processes, captured by the TFI, are associated with less perceived corruption as well as firm-level experience with corruption at the border. Transparency and predictability, streamlining of formalities and coordinated border management are all found to be supportive to less corruption at the border (Moisé and Sorescu, 2019).

Table 1. Data capturing selected aspects of integrity in the public sector

	Policy variables	Time coverage	Country coverage	Source
OECD Indicators of Regulatory Management Systems (RMS)	Stakeholder engagement, regulatory quality, number of oversight bodies, etc.	1998-2009	OECD countries	OECD
OECD Indicators of Regulatory Policy and Governance (IREG)	Stakeholder engagement, Regulatory Impact Assessment and ex-post evaluation.	2014, 2017	OECD countries	OECD
Open Government Data/ OUR data index	Data availability, accessibility, government support for re-use.	2014, 2017	OECD countries	OECD
European Quality of Government Index	Survey of quality, impartiality, corruption in public education, healthcare and police.	2010, 2013, 2017	EU countries and regions, Serbia and Turkey	The Quality of Government Institute
World Governance Indicators	Control of Corruption (perceptions of private and public sector corruption based on multiple expert sources).	1996-2018	World	World Bank
Global Indicators of Regulatory Governance	Publication of forward regulatory plans, consultation on proposed regulations, public accessibility of laws, conduct of RIA, etc.	2017	World	World Bank
Varieties of Democracy Institute	Judicial corruption, legislature corruption, public sector embezzlement, public sector bribery, executive embezzlement, etc.	1990-2018	World	Varieties of Democracy Institute

Source: OECD.

Table 2. Data capturing selected aspects of integrity in competition and trade policy

	Policy Indicators	Time coverage	Country coverage	Source
Product market regulation (PMR)	Independence, accountability and scope for action of sectoral regulators.	2013-2018	35 OECD, 12 non-OECD	OECD
Competition law and policy indicator (CLP)	Independence, accountability and procedural fairness of competition regulator.	2013, 2018	34 OECD, 15 non-OECD	OECD
OECD Survey on Water Regulators	Governance arrangements, operational modalities, use of regulatory tools.	2014	24 OECD countries	OECD
OECD Trade Facilitation Indicator	Governance and impartiality of customs.	2012-2018	160 countries	OECD
Integrity of customs	Automated payments system, anti-corruption strategy, risk assessment, etc.	2016	19 countries of the G20	G20 Anti-corruption Working Group

Source: OECD.

14. When narrow private interests and business groups influence policy making to their own advantage by providing illicit private gains to public officials, state, policy and regulatory capture happens (OECD, 2017c). Often labelled as ‘grand corruption’, the cost of such actions will depend on the definition of the capture. OECD instruments in this area include **Guidelines on Managing Conflict of Interest in the Public Service** (OECD, 2003b) and its toolkit, **Principles for Managing Post-Public Employment Conflict of Interest in the Public Service** (OECD, 2010a), **Principles for Transparency and Integrity in Lobbying** (OECD, 2010b) as well as **Framework for Financing Democracy** (OECD, 2016d).

15. OECD data on openness and access to policy making can be drawn partly from Indicators of Regulatory and Policy governance (IREG) and its predecessor Indicators of Regulatory Management (RMS). Furthermore, two waves of questionnaires on lobbying collected data in 2013 and 2019, however, their focus differed (Table 3).

16. Several external sources exist. An *International Institute for Democracy and Electoral Assistance* (IDEA) conducts expert-based surveys on information on financing of democracy, including data on financing of political parties, voter turnout, electoral systems, etc. The World Bank gathered information on the freedom of information and financial disclosure under its **Public Accountability Mechanism (PAM)**. A number of the mechanisms’ features correspond to the OECD’s Framework for Financing Democracy.

Table 3. Data capturing selected aspects of state and regulatory capture

	Policy Indicators	Time coverage	Country coverage	Source
Survey on Lobbying	Various including existence of rules and guidelines, public register, etc.	2009, 2013, 2019	10-34 OECD countries	OECD
Survey on Managing Conflict of Interest	Level of disclosure of private interests (executive, legislative, judicial).	2012, 2014	OECD	OECD
Political Finance Database	74 questions ranging from bans on political financing to how many sanctions have been issued.	2012-2017	World, including 34 OECD countries	International Institute for Democracy and Electoral Assistance
Public Accountability Mechanism	Income and Asset disclosure.	2008	90 countries	World Bank
EuroPAM	Various on political financing, financial disclosure, conflict of interest, freedom of information and public procurement.	2012, 2015-2017	36 countries out of which 26 OECD	EuroPAM/Digiwhist

Source: OECD.

2.3. Public finance management

17. Management of public finances plays an integral role in decreasing corruption and is one of the rare areas where there is relatively strong evidence on the effectiveness of the policy measures. On the revenue side, OECD countries collect around 35% of GDP in taxes. On the expenditure side, they spend on average 12% GDP on procurement and around 3% of GDP on investment, both areas that have been linked with risks of corruption. Corruption risks and opportunities for misallocation of resources are numerous on both sides of the public finance as well as along the various points of public finance management. The following section looks first at the expenditure and then revenue side.

18. During budget formulation, spending choices can be diverted to projects or activities that allow for greater opportunities for kickbacks or require less scrutiny³. Empirical analysis confirms that public investment efficiency is positively associated with control of corruption. Estimates suggest that an emerging market economy in the top 25 percentile of the Control of Corruption scale ‘wastes’ only half as much as an economy in the bottom 25 percentile. An improvement in the score of the control of corruption by one standard deviation is associated with a fall in the average efficiency gap by 14 percentage points (IMF, 2019).

19. A number of instruments address budgeting phases as well as monitoring of public spending. **Recommendation on Budgetary Governance** (OECD, 2015a) updated earlier instruments and was developed into a **Budget Transparency Toolkit** (OECD, 2017d). The Recommendation identifies transparency, openness, participation, integrity and accountability as key pillars of modern budgetary governance. There are also **Guidelines for Off-Budget Funds** (OECD, 2004), **Principles for Independent Fiscal Institutions** (OECD, 2014) and **Best Practices for Budgetary Transparency** (OECD, 2002). Recent monitoring report on the implementation of the Recommendation revealed that many OECD countries still lag behind in terms of openness, transparency and accessibility of budget documentation and data (OECD, 2019b, *forthcoming*).

20. OECD data on public finance management consist of a database of budget practices and procedures. The database includes information on alignment with medium term strategic plans and priorities, fiscal risks and sustainability but also on transparency, openness and accessibility of budgetary documentation. As illustrated by Jin (2020, *forthcoming*), such data could be used to build indicators of public finance management system. External data include for instance International Budget Partnership surveys of experts that draws on recommendations of various international organisations and produces an index ranking countries in terms of their budgetary transparency and effectiveness of its oversight (Open Budget Index) (Table 4).

³ Such projects include large investments for which there are limited price comparisons (e.g. complex defence equipment) or spending state owned enterprises or off-budgetary funds.

Table 4. Data capturing selected aspects of public finance management

	Policy indicators	Time coverage	Country coverage	Source
OECD International Database of Budget Practices and Procedures	Function of the central budget authority (CBA), budget timeframe, off-budget expenditure, public private partnerships, transparency and participation, location of central budgeting authority, type of CBA leadership, responsibilities of the CBA, type of fiscal policy framework, resolution of budgetary disputes etc.	2003, 2007, 2012, 20018	OECD and other	OECD
Open Budget Index	Citizen participation, role and effectiveness of oversight.	2006 -2017	World	International Budget Partnership
OECD Surveys on Public Procurement Practices	Various along the lines of the Recommendation principles	2014, 2016, 2018	31 OECD Countries	OECD
Benchmarking Public Procurement ¹	Online publication Bid security requirements Payment delays Complaints	2016	77-180 countries, including OECD	World Bank
OPENTENDER/ Digiwhist	Single bidder tenders, type of selection procedure (open, non-open), location of the winning company in a tax haven, centralized procurement, etc.	2003-2017	34 countries (mainly EU), their regions and administrative units	Government Transparency Institute

Note: 1. Data collected in the largest business city of each economy, based on a case study from local practitioners who have knowledge about the public procurement in the country.

Source: OECD.

21. Countries spend considerable public resources via public procurement. Corruption practices in this area include suppliers increasing the prices or lowering the quality of goods or services purchased (bid rigging) as well as ‘tailoring’ tender calls to a particular supplier, all of which leads to waste of public resources.

22. **Recommendation on Public Procurement** (OECD, 2015b) identifies good practices in public procurement and provides guidance. The recommendation was preceded by **Recommendation on Fighting Bid Rigging in Public Procurement** (OECD, 2012) and its **Guidelines** to identify markets in which bid rigging is more likely to occur. In the same vein, **Integrity Framework for Public Investment** (OECD, 2016e) builds on country experiences in identifying corruption risks over the entire public investment cycle. A recent publication *Analytics for Integrity: Data driven approaches for enhancing corruption and fraud risk assessments* offers a guidance on how to use public investment data to identify corruption risks (OECD, 2019d).

23. Measuring the performance of an entire procurement system is a complex task that requires taking into account a number of additional factors, some of which are intangible (such as culture, control/risk management). The OECD ran several rounds of surveys on the set up of the procurement processes but the collected data capture only some regulatory features. A comprehensive approach is currently being developed under *Methodology for Assessing Procurement Systems* (MAPS)⁴ and has the potential to provide data for future analysis.

⁴ Developed as a “donor-country” tool in early 2000s through a joint initiative of the OECD/DAC and the World Bank *Methodology for Assessing Procurement Systems* (MAPS) has been revised in 2015-2018. Complementary modules were being finalised in 2019 with the aim to target all countries. Test assessment in Norway and Chile took place in 2017, and ongoing assessments include Greece, Kazakhstan and five East Caribbean States.

24. Currently available indicators measure inputs as well as outcomes of public procurement. These include for instance electronic availability of tender announcements, number of bidders per tender, type of selection procedure and comparison of tendered and final price. Several of these have been linked to risks of corruption, raising so-called red flags (see Section 3.3). A new dataset of public procurements, for the moment largely European ones (OPENTENDER) is publically available (Section 3.3). It contains cross-country and cross-regional data for public procurement across 34 countries⁵ (and the European Commission) for 2003-2017 (Table 4). Several non-European countries are currently being added (South Africa, India and Chile).

2.4. Tax policies

25. Corruption is associated negatively with tax collection and the ability of the state to generate revenue (IMF, 2019; Aghion *et al.*, 2016). A number of factors contribute to tax avoidance creating risks of corruption: Complex tax laws, low probability of detection and low sanctions or limited capacity of tax administrations, and discretionary powers of tax officials. Core elements of successful tax administrations include: independence and autonomy; a stable legal framework; a unified body for collection of direct and indirect taxes; clear roles, responsibilities and accountabilities and nexus between tax operation and other activities (OECD, 2017b). Recently, international tax avoidance, whereby companies artificially shift profits to offshore locations to minimize their tax liability, as well as issues of taxing the digital economy have come to the fore of policy debate (covered below in the section Tax evasion and money laundering).

26. Among the advanced economies, a country in the top 25th percentile in terms of control of corruption collects on average 4.5% of GDP more in revenues, than a country in the lowest 25th percentile. The gap is smaller among emerging market and low-income economies. When controlling for the level of development and other factors, an improvement in the Control of Corruption index by one third of a standard deviation, is associated with an increase of 1.2 percentage points in government revenues as a share of GDP (IMF, 2019).

27. More specifically, the negative relationship between revenue collection and corruption perception indices has often been illustrated by the so-called C-efficiency ratio, i.e. efficiency of the value-added tax that compares the actual VAT revenue with the potential revenue when if a uniform rate was applied to all consumption (policy gap) and with potential VAT revenues under full compliance (compliance gap). Various academic and international estimates of the tax efficiency ratios exist, and many OECD countries produce national estimates too, as this outcome assessment tool is gaining on popularity. Table 5 sums up available data sources on features of tax administrations and tax efficiency.

28. A recent IMF overview of measures to close tax compliance gaps highlights withholding, third party information, taxpayer segmentation as well as adequately resourced revenue authorities as key. On the other hand, high turnover of senior staff, weak management and inadequate or unstable financing undermine effective tax collection (IMF, 2015).

29. The core of OECD's work on corruption in the area of taxation is at the international level - cooperation of tax administrations, standards for exchange of information and tax transparency (e.g. **Convention on Mutual Administrative Assistance in Tax Matters** (OECD, 1988a), **Recommendation on Tax Avoidance and Evasion** (OECD, 1977), **Recommendation to Facilitate Co-operation between Tax and Other Law Enforcement Authorities to Combat Serious Crimes** (OECD, 2010c). On the level of national tax administrations, several guidelines and handbooks are available (e.g. **Money Laundering Awareness Handbook for Tax Examiners and Tax Auditors** (OECD, 2009b), **Bribery Awareness**

⁵ This includes 28 countries of the EU, European Commission, Norway, Switzerland, Iceland, Serbia, Georgia and Armenia.

Handbook (2001e). **International VAT/GTS Guidelines** (2017e) respond to the recent taxation and integrity challenges of digital commerce.

Table 5. Data capturing selected aspects of ability to combat tax evasion

	Policy indicators	Time coverage	Country coverage	Source
VAT C-efficiency ratio	Compliance gap	2000-2014	OECD, World	Various
International Survey on Revenue Administration (ISORA)	Features of revenue authority such as management practices, powers, investigations, compliance and tax gap, limits of discretionary power, etc.; includes also outcomes such as number of disputes, taxpayers per staff etc.	2011-2013, 2014-2015, 2016-2017	58 countries	CIAT/IMF/IOTA/OECD

Source: OECD.

2.5. Enforcement

30. To deter people from engaging in corruption, countries need an effective system of detection, prosecution and recovery of the assets. This includes police, prosecution and judiciary, all of which themselves can be - and are – affected by corruption, so further aggravating the situation. The policy challenge is to balance discretionary powers needed for independence with adequate oversight and accountability (Transparency International, 2014; OECD, 1997). There are no specific OECD instruments addressing directly the enforcement agencies.

31. A database of judiciary outcomes and inputs exists, mainly using existing reports and sources of the Council of Europe European Commission for the Efficiency of Justice (CEPEJ) and a tailor-made survey for countries not covered by the CEPEJ. The data refer to 2010-2011. A number of external sources on the performance of judiciary exist: EU's annual scorecard, NGOs collect information on transparency in the judiciary and GRECO's reviews contain qualitative assessments (Table 6). National court administrations collect various data on judiciary, though these can differ from country to country. Information on the certain features of the judiciary performance will be part of the public integrity indicators. Since 2010, the OECD's Working Group on Bribery collects data on enforcement of the Convention, such as number of administrative, civil and criminal cases of foreign bribery (see below).

2.6. Integrity in corporate governance

32. Corruption exists also between private actors, affecting negatively overall social welfare through misallocation of resources. Recent examples with considerable financial impact include the LIBOR market scandal, in which several banks manipulated the market rates over several years. In the US, where the enforcement of corporate fraud is among the most efficient, total fines of around USD 2.6 billion were imposed. Outside the financial sector, other corporate fraud examples include accounting fraud in Enron, Olympus or Parmalat. Often, these failures were at least facilitated by corporate governance failures, where boards did not fully appreciate the risks the companies were taking and/or risk management systems were deficient (OECD, 2014c).

33. A number of OECD tools and guidelines address integrity in the private sector, including in the state-owned enterprises and multi-national companies: **Anti-corruption Ethics and Compliance Handbook for Business** (OECD, 2013b), **G20/OECD Principles on Corporate Governance** (OECD, 2015c) and **OECD Guidelines for Multinational Enterprises** (OECD, 2011b) and **Guidelines on Corporate Governance of State-Owned Enterprises** (2015d).

34. Although most of the data sources focus on public sector, some indicators on the private sector are available. Gutmann and Lucas (2018) use the Global Corruption Barometer (GCB) that contains a

perception-based question on different “categories” of the economy that includes business, NGOs and religious bodies, all of which tend to be private entities, to construct a distinct measure of corruption in the private sector. In terms of policy areas, the *OECD Corporate Factbook* contains information on various facets of regulating the corporate sector, including for instance the roles and accountabilities of boards of governors of publically listed companies, implementation of the internal control and risk management (OECD, 2019e) (Table 6).

2.7. Foreign bribery

35. Elimination and prevention of foreign bribery is at the cornerstone of the OECD anti-corruption expertise. **OECD Anti-Bribery Convention** (OECD, 1997) has 44 signatories⁶, covering 64% of global outbound FDI flows and more than half of work trade (Blundell-Wignall and Roulet, 2017). The convention establishes legally binding standards to criminalise bribery by businesses of foreign public officials in international business transactions, i.e. bribery by domestic firms active abroad. It has been followed up by a several other instruments, such as **Recommendation for Further Combating Bribery of Foreign Public Officials in International Business Transactions** (OECD, 2009), **Recommendation on Bribery and Officially Supported Export Credits** (OECD, 2020) and **Recommendation for Development Co-operation Actors on Managing Risks of Corruption** (OECD, 2016f).

36. The impact of the convention has been assessed on several fronts. Within OECD, the Working Group on Bribery has carried out several rounds of reviews of the convention; the most recent one is currently under way. The working group leads implementation and enforcement of the convention via a peer-driven monitoring mechanism. Country reviews happen in four phases, each of which has a specific focus and gives detailed recommendations as well as takes stock of implementation (or not) of the previous recommendations. To-date, over 200 monitoring reports are publically available, containing over 1 500 recommendations.

37. Judging by prosecution cases, half of the signatory countries has not had a single foreign bribery case and only four countries are truly active in terms of the enforcement (OECD, 2019c). A recent OECD study looking at monetary value of the sanctions shows that even with a 100% chance of being detected, bribing can still be profitable in many jurisdictions (OECD, 2016c). On the other hand, empirical analysis of FDI investment flows of the countries that signed the convention shows that they invest less in countries with high corruption (Blundell-Wignall and Roulet, 2017). Focusing on the example of Vietnam, Jensen and Malesky (2018) find that with the onset of Phase 3 monitoring in 2010, which significantly raised the reputational costs for firms subject to the convention, multinational companies reduced their actual bribery relative to their competitors from non-signatory countries.

38. The data collected currently under the Convention are mainly process-oriented and thus unlikely to be suitable for empirical analysis (Table 6). Nevertheless, there could be a potential for coding the monitoring reports information or turning it into qualitative dashboards, to summarise how well countries do in terms of the Convention.

2.8. Tax evasion and money laundering

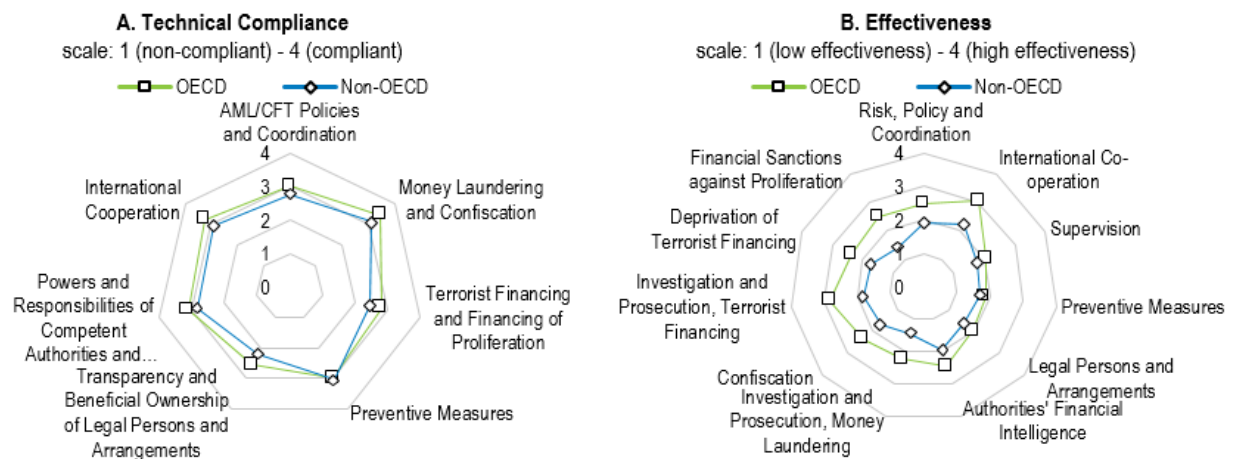
39. Tax evasion and corruption are intertwined and reinforcing as corruption drives higher levels of evasion (Alm et al., 2016). A number of regulatory features have been identified as conducive to tax

⁶ Thirty-six OECD and eight non-OECD countries have signed the Convention (Argentina, Brazil, Bulgaria, Colombia, Costa Rica, Peru, Russia and South Africa). On this front, the OECD is also involved in a several regional fora: OECD/AFDB initiative for Africa, Asian Development Bank/OECD Anti-corruption Initiative for Asia and the Pacific, Anti-Corruption Network of Eastern Europe and Central Asia, Inter-American Development Bank/Organization of American States/OECD initiative for Latin America and Caribbean.

evasion such as bank secrecy, ownership and bearer shares and patchy accounting records. These are also common to money laundering activities. The United Nations Office on Drugs and Crime estimates that criminal proceedings amount to 3.6% of global GDP, with a considerable share of it being laundered (UNODC, 2009).

40. Much of the tax evasion focus in the past was on prevention and identification of money laundering from illegal activities such as illicit drugs trade, crime and terrorist financing (De Koker, 2011). To this end, the **Financial Action Task Force** was established in the 1990, and monitors compliance with 40 recommendations recognized as the international standards for anti-money laundering and combatting of terrorist financing. The FATF is housed at the OECD, but not a part of it. To-date, it has reviewed 89 countries. The most recent round of mutual evaluations includes country ratings on technical compliance and effectiveness of money-laundering prevention. These have been used by Jin (2020, *forthcoming*) to benchmark countries (Figure 1).

Figure 1. Compliance with anti-money laundering FATF standards



Note: Panel A shows the average rating for each of 7 groups comprising of 40 FATF recommendations. Panel B shows the average rating for each of 11 immediate outcomes.

Source: Jin (2020, *forthcoming*) based on Financial Action Task Force.

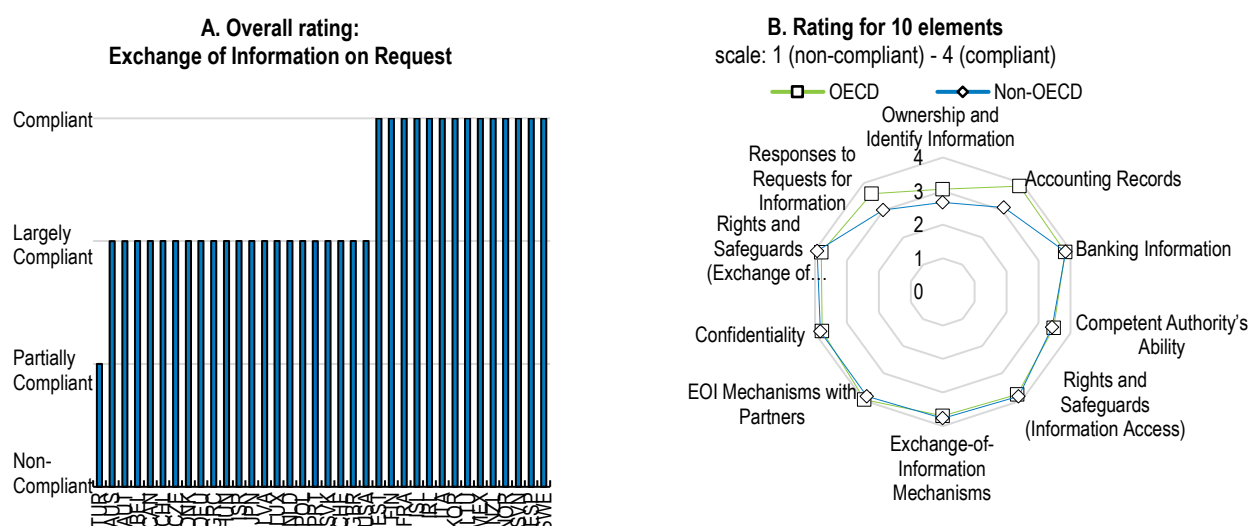
41. The OECD has been at the forefront of the global fight against tax evasion through enhanced tax transparency, with a multi-pronged approach based on developing strong tax transparency standards, promoting global buy-in to ensure level playing field providing support to countries on implementation and monitoring progress (OECD, 2018). The standards include the exchange of information 'on request' and the automatic exchange of financial account information. More recently, the focus has been enlarged to tax base erosion and profit shifting and addressing challenges from digitalisation of the economy. The OECD contributes to the on-going policy debates at the G20 on both of these topics.

42. Monitoring and implementation of the tax transparency standards is carried out by The **Global Forum on Transparency and Exchange of Information for Tax Purposes** that consist of 158 members and includes all OECD and G20 countries. The Forum carries out in-depth peer reviews to assess implementation of the tax transparency standards and provides capacity building support. Specific 'terms of references' adopted in 2016 allowed for improved monitoring of the country commitments to the standard for exchange of information on request. OECD's **Oslo dialogue** promotes a whole of government approach to tackling financial crimes by fostering inter-agency and international co-operation and publishes surveys of best practices as well as international academies for tax crime investigation (OECD, 2018).

43. A number of estimates of the impact of the enhanced tax transparency global initiative have been produced. OECD research shows that additional tax revenue collected via the exchange of information on request alone is estimated at around EUR 7.5 billion. Between 2008 and 2019, bank deposits owned by non-residents of the international financial centres fell globally by 24% (USD 140 billion), while commencement of automatic exchange of information in 2017 and 2018 is associated with a further average reduction of bank deposits of 22% in international financial centres (O'Reilly et al., 2019).

44. As illustrated by Jin (2020, *forthcoming*), the terms of references can be used to assess countries' compliance on 10 key elements of their commitments. These consist of availability of information, exchange of information mechanisms, responses to requests. The Global Forum produces an overall rating, with all OECD countries being classified as 'largely compliant' or 'compliant', except for Turkey, which is classified as 'partially compliant'. The peer review reports are structured along the 10 elements and include evaluation and recommendations, that can be also assessed based on the scale used for the overall rating (1 – non-compliant to 4 – compliant) (Figure 2).

Figure 2. Rating of countries' compliance with tax transparency and its main elements



Note: Panel A shows the overall rating provided by the Global Forum for OECD countries. Panel B shows the average rating for each of the 10 elements. To ensure comparability, the ratings from the first round peer reviews are referred to for all countries. OECD Secretariat's own calculation based on the materials from the Global Forum on Transparency and Exchange of Information for Tax Purposes.

Source: Jin (2020, *forthcoming*).

2.9. Whistle-blower protection

45. To encourage reporting of bribery, fraud and misconduct, countries need to protect whistle-blowers. When reporting of wrongdoing is not supported or protected, the risk of corruption is significantly higher (OECD, 2011). This holds true for both private and public sector, domestic as well as foreign bribery.

46. OECD instruments in this area include the **Recommendation on Improving the Ethical Conduct in Public Service** (1998a) as well as the **Anti-Bribery Convention** (2009c). Several standards on effective protection of whistle-blowers have been published by other international organisations. Whistle-blower requirements are part of the **UN's Convention against Corruption** (UN, 2003) and G20 released **Guiding Principles and Compendium of Best Practices for Legislation on the Protection of Whistle-blowers** (OECD, 2011c).

47. Effective protection of whistle-blowers is still patchy across OECD countries (OECD, 2016c). A recent report takes stock of the legal protection in OECD countries, along the main features of the protection mechanism (e.g. scope and definitions; reporting procedures and mechanisms; mechanisms for protection; enforcement; awareness raising; communication and training; barriers to whistle-blowing) (OECD, 2016c). ILO (2019) reports on similar features of the whistle-blower protection in the public and financial services sectors for a selection of 11 countries. Both of these reports could be used for the construction of indicators (Table 6).

Table 6. Data capturing selected aspects of integrity in the private sector

	Policy indicators	Time coverage	Country coverage	Source
2014 OECD Public Sector Whistle Blower Protection Survey	Provision of legal protection, degree of protection, measures to preclude bad faith, tiered reporting approach, guarantees of anonymity, incentives for disclosure, protection from retaliatory actions, awareness raising activities.	2014	32 OECD countries	OECD
2015 OECD Survey on Business Integrity and Corporate Governance	Written policy on whistleblowing.	2015	OECD	OECD
OECD Corporate Governance Factbook	Regulatory framework, ownership of listed companies, rights of shareholders, key ownership functions including risk management.	2014, 2015, 2018	OECD	OECD
Monitoring of implementation of the standard for exchange of information on request	Rating on compliance of exchange of information on request, examining 10 essential elements of the standard.	2017	World	The Global Forum on Transparency and Exchange of Information for Tax Purposes.
Implementation of FATF Recommendations	Technical compliance and effectiveness of anti-money laundering and anti-terrorist financing measures.	2017-2018	World	Financial Action Task Force
Implementation and enforcement of the OECD Anti-Bribery Convention	Investigations, proceedings, sanctions	1999-2018	36 OECD and 8 non-OECD countries	OECD

Source: OECD.

3. Avenues for future analysis

3.1. The importance of precise and actionable policy indicators

48. To establish empirical evidence on the effectiveness of specific anti-corruption and public integrity policies, both outcome and policy indicators are needed, ideally with a wide country and time coverage. Currently, data gaps exist on both fronts. While corruption affects economic outcomes at various levels, it is often difficult to know which relevant outcomes should be used. The perception-based composite indicators and survey measures have been used both as explanatory and dependent variables and linked mainly to aggregate economic outcomes such as growth or investment. Estimating and interpreting such cross-country regressions is however challenging, particularly because these variables can be linked in more than one way, raising concerns about the direction of causality. Also, it is often difficult to isolate the effect of anti-corruption measures (Box 1). The future research agenda should therefore shift away from experts' perceptions of corruption measured by composite indicators.

49. A summary of the recent literature on individual country cases, albeit mainly for developing and emerging economies, highlights particular areas where anti-corruption measures seem most effective and where evidence is strongest (Table 7). These areas – which include public finance management, supreme audit institutions, procurement and tax reforms – are perhaps suggestive of where further analysis might be most fruitful, as discussed below.

Table 7. Effectiveness of anti-corruption measures based on literature on developing countries

	Weak evidence	Fair evidence	Strong evidence
<i>Effective measures</i>	Judicial reform Media Judicial independence	Procurement reform	Public finance management
<i>Measures with contested effectiveness</i>	Police reform Direct budget support Donor system Multi-national agreements on anti-corruption standards Private sector National Anti-corruption Strategies Financial Intelligence Units Parliament	Anti-corruption laws Decentralisation NGOs/Community monitoring	Supreme Audit Institutions
<i>Ineffective measures</i>	Ombudsperson	Anti-corruption agencies Civil service reform Corruption conditionality	

Note: “Strong evidence” is when five or more studies with strong research methodologies, using different research methods, assess the intervention effective or ineffective; “Fair” evidence is when three or more studies with acceptable research methods assess the intervention effective or ineffective; and “Weak” when fewer than three studies with acceptable methodologies assess the intervention effective or ineffective.

Source: Johnson et al. (2012).

50. The Public Governance Directorate’s on-going efforts to collect a precise and actionable set of policy as well as some outcome indicators for each of the 13 principles of 2017 Recommendation on Public Integrity (*OECD Public Integrity Indicators*) offers probably the most promising avenue for future empirical work. The new data should be available in late 2021. These indicators build on policy principles with widespread agreement among OECD member countries and so should be of intrinsic merit in providing a benchmark against best practice as well as providing a basis for cross-country analysis.

3.2. Dashboard of existing data

51. Existing OECD data can be developed into a dashboard, going beyond the policy indicators currently reported in *Economic Surveys*. A considerable number of policy indicators are already available based around the various OECD instruments and other international initiatives (e.g. indicators of regulatory policies, sectoral regulators, trade facilitation, databases of international budget practices and procedures, of revenue administrations' features).

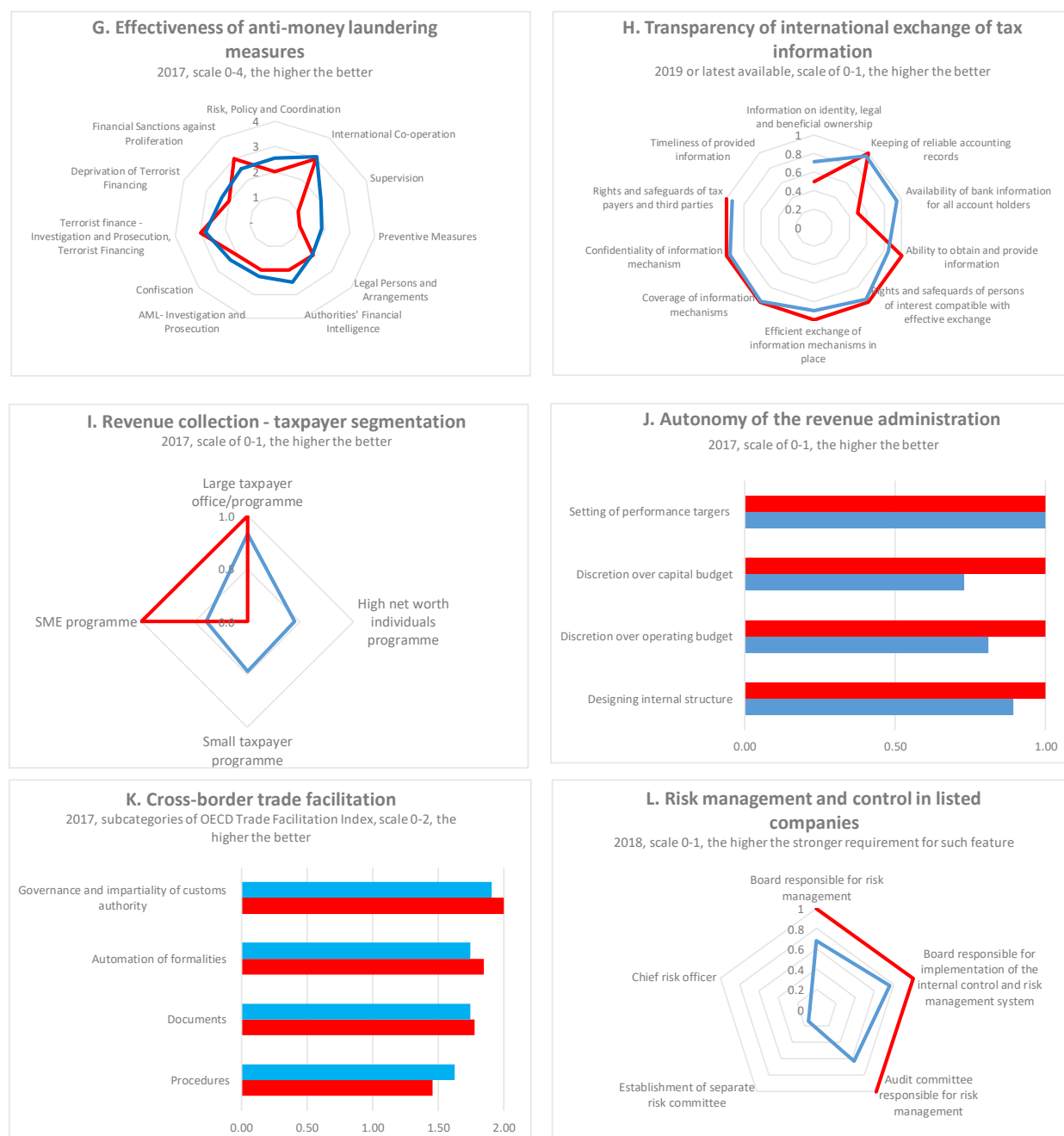
52. Figure 3 illustrates possibilities for such a dashboard. It could consist of available outcome indicators (experience of corruption in business and/or general population) and a selection of policy indicators, guided by the OECD Public Integrity Recommendation. In many of the areas, assessment of the degree of countries' implementation of various OECD instruments hasn't been systematic and centralised enough to allow construction of a comprehensive indicator and/or time-series, but at least some features are captured (e.g. Panels I and J showing two features of revenue administrations). In other policy areas, broad-based agreement on codification of best practices into numerical indicators has been absent so far (e.g. Panel E in which the public procurement systems relies on World Bank's scoring), or would need updating (Panel F – OECD Civil Justice Database from 2010/2011). The displayed indicators are not exhaustive. Other areas could be added, such as oversight and regulation of lobbying, transparency and openness in public finance management, regulation of whistle-blowers protection and other aspects of corporate governance.

Figure 3. Illustrative example – dashboard of existing indicators (Denmark)



Note: Denmark is pictured in red, OECD average in blue and top 3 OECD performing countries in green colour, except for Panel A. Panel A: Experience of corruption of the general public as reported in Eurobarometer. Panel B: Regulatory policy and governance is evaluated on four equally-weighted categories (systematic adoption, methodology, transparency and oversight and quality control), based on 2012 *OECD Recommendation on Regulatory Policy and Governance*. Panel C: Governments' efforts to implement open data based on the *International Open Data Charter* principles, as reported by high-level government officials in an OECD survey. Panel D: The sectoral regulators are evaluated on their independence, accountability and scope of action based on the *2014 OECD Best Practice Principles for Regulatory Policy*, with these three criteria being given equal weight in the aggregate score. Panel E: Evaluation of the public procurements based on a case study responses from surveys of local practitioners of public procurement. Scores closer to 100 signal regulatory framework closely aligned with internationally recognised practices. Panel F: Normalised indicators from the OECD Civil Justice database related to trial length by Palumbo et al. (2013).

Figure 3. Illustrative example - dashboard of existing indicators (Denmark) (contd.)



Note: Denmark is pictured in red, OECD average in blue colour. Panel G: Outcomes of the 4th round of FATF mutual assessments of effective anti-money laundering and counter-terrorist financing system. Original scoring of effectiveness (low, moderate, substantial and high level) has been turned into numerical scoring by Jin (2020, *forthcoming*). Panel H: Overall rating, where original scoring (non-compliant, partially compliant, largely compliant and compliant) has been turned into numerical scoring by Jin (2020, *forthcoming*). Panels I and J: Two features that have been linked to effective revenue collection by IMF (2015). When a particular feature is available the score is (yes=) 1, when not available the score is (no=) 0. Panel K: Specific measures to streamline and simplify technical and legal procedures for international trading. Good overall trade facilitation environment, as well as its particular features, have been linked to low firm level experience of border-related corruption and low perceptions of corruption in Moisé and Sorescu (2019). Panel L: Qualitative information has been scored as follows: when a particular feature is available the score is (yes=) 1; when not available the score is (no=) 0; when partially available score is 0.5. This relates to *OECD Principles and SOE Guidelines on Corporate Governance* (Principle VI.D and VI.D.7).

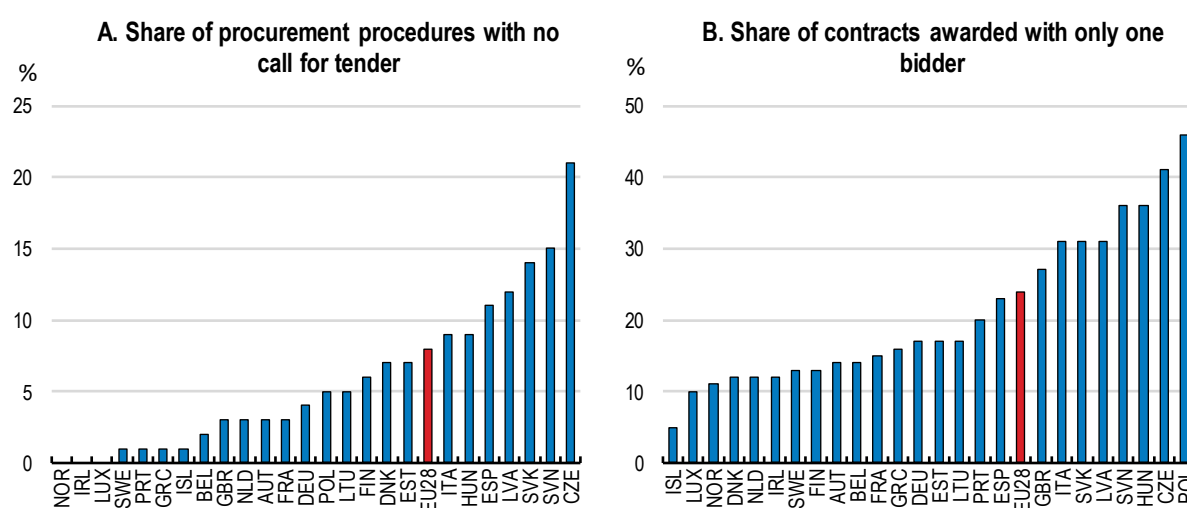
Source: OECD, except E (World Bank), G (Financial Action Task Force), H (Global Forum on Transparency and Exchange of Information for Tax Purposes) and I and J (ISORA database).

3.3. Case study of risks in public procurement

53. On average, public procurement spending accounts for 12% of GDP in OECD countries and in developing economies these shares can be twice as large (World Bank, 2015). Such spending is vulnerable to a number of significant risks of corruption and favouritism, allocation of public contracts can lead to higher prices, reduced value for money, and lower quality of provided goods and services (Dastidar and Mukherjee, 2014; Hessami, 2014). The current policy environment of the Covid-19 pandemic, with significant government outlays to procure resources and services, often without enough transparency and oversight, means plenty of open doors for bribes, kickbacks and contract malfeasance (Vittori, 2020).

54. Besides being an important spending item, new data in this policy area allow for empirical work. Building on a new micro-level European dataset of public procurement (Digiwhist/OPENTENDER) and following Fazekas and Kocis (2015), future analysis work could investigate how OECD countries fare in terms of so-called ‘red flags’. While not signalling corruption per se, such red flags point to risks and highlight patterns that merit further examination. These include: the prevalence of single bidding; use of non-open procedures and short deadlines; extreme spending concentration and share of contracts awarded by non-competitive procedures (Figure 4 and Box 3).

Figure 4. Red flags in public procurement in European countries, 2016



Source: European Commission and Single Market Scoreboard.

55. More specifically, future work could examine how well the OECD Recommendations on Public Procurement are associated with a lower risk of corruption, as proxied by the (absence of) red flags. This would require first building a historical dataset of public procurement policy indicators. The EuroPAM (European Public Accountability Mechanism)⁷ database covering the period of 2015-2017 could be used as a starting point for the European OECD countries. The dataset covers the following areas: minimum application threshold; information availability of publishing procurements, record keeping and sub-contracting; existence of preferential bid treatment and bid evaluation; evaluation, competitiveness of the procurements and institutional arrangements (Figure 5). This could be supplemented with information

⁷ EuroPAM is an extension of the Public Accountability Mechanism Initiative of the World Bank, a data collection exercise producing assessment of legislative features enhancing transparency of public administration and the accountability of public officials. The EuroPAM was an EU-funded research project.

from the 2013 and 2019 monitoring reports of implementation of the OECD Recommendation on Public Procurement and available country reviews.

56. Public procurement outcomes of the Digiwhist/OPENTENDER database currently cover EU countries for the period of 2003-2017, and, with a more limited time coverage, data also exist for Brazil (federal level), Chile, Colombia, India, Indonesia, Mexico, South Africa and the United States (federal level). Other OECD countries could be added too, although this would require specific funding for further data collection.

57. A possible extension of such analysis could apply the approach of David-Barret and Fazekas (2019) and Dahlstrom et al. (2019) in identifying patterns of winners and losers in public procurement following a change of government. Such analysis for three OECD countries (Hungary, United Kingdom, and United States) shows considerable difference in how much of the public contracting is secured by politically favoured companies (Box 3). This work would require cross-checking the public procurement data with company registers, for which the Orbis database could be used.

Box 3. Recent studies tracing signs of corruption in public procurement

Fazekas and Kocsis (2015) analyse information on public procurement contracts from the so-called *Tenders Electronic Daily* database (TED), an online version of the “Supplement to the Official Journal of the EU”, dedicated to European public procurement. Thanks to the EU Public Procurement Directive, the national datasets are comparable and contain information on calls for tender and contract award notices. The directive regulates purchases by public bodies and state-owned enterprises in various economic sectors from construction to professional services (with exceptions of defence and specialised legal services).

Using logistic regressions at the contract level over the period of 2009-2014, they show that the ‘red flags’ listed below increase the probability of single bid instances (Table 2). The main shortcoming of this approach is that it arguably misses complicated corruption strategies, for instance collusion between bidders. While these red flags explain single-bidding, many of them are interesting in their own right.

Table. Red flag indicators signalling risk of corruption in public procurement

Project phase	Indicator	Definition and corruption risk red flag
Submission	Call for tender not published (relevant for non-open procedures)	Avoiding the publication of the call for tenders in the official procurement journal makes it harder for non-connected competitors to prepare a bid.
	Contract notice publication	(%) Calls for tenders published compared to all awarded contracts.
	Procedure type	Open vs non-open (accelerated, restricted, award without publication, negotiated tender without competition).
	Length of advertised period	Number of days between the publication of call for tenders and the submission deadline. Too short period does not allow for preparing an adequate bid, serving as a limitation to competitive bidding.
Assessment	Weight on non-price criteria	Sum of weights for evaluation criteria which are NOT related to prices. Different types of evaluation criteria are prone to manipulation. Although price-only criteria can also be abused, if the bidder knows that there will be no monitoring of delivered quality.
	Length of decision period	Number of days between submission deadline and accounting contract award. Too short or lengthy time to decide on submitted bids can signal corruption risks.
Outcomes	Intensity of competition	Average number of bids submitted.
	Price savings	(%) deviation of contract value from an estimated value.
	Non-local/foreign suppliers	Share of foreign suppliers or those at a distance from the contracting authority. At local level, concentration of bidders in the proximity of contracting authorities can signal risk to corrupt behaviour. At national level, participation of foreign suppliers can signal openness to international competition.
	Single bidder contract	Share of procurements where only one bid received. Procurements with only one bidder can signal potential wrongdoing, whereby the tender is tailored to a specific supplier. This is prone to manipulation as corrupt networks will put forward fake bidders.

Source: Fazekas and Kocsis (2015).

Focusing on the United Kingdom and Hungary, David-Barret and Fazekas (2019) match the (TED) public procurement data with the company registers of the two countries, to analyse patterns of companies winning contracts around the time of general election leading to a government change

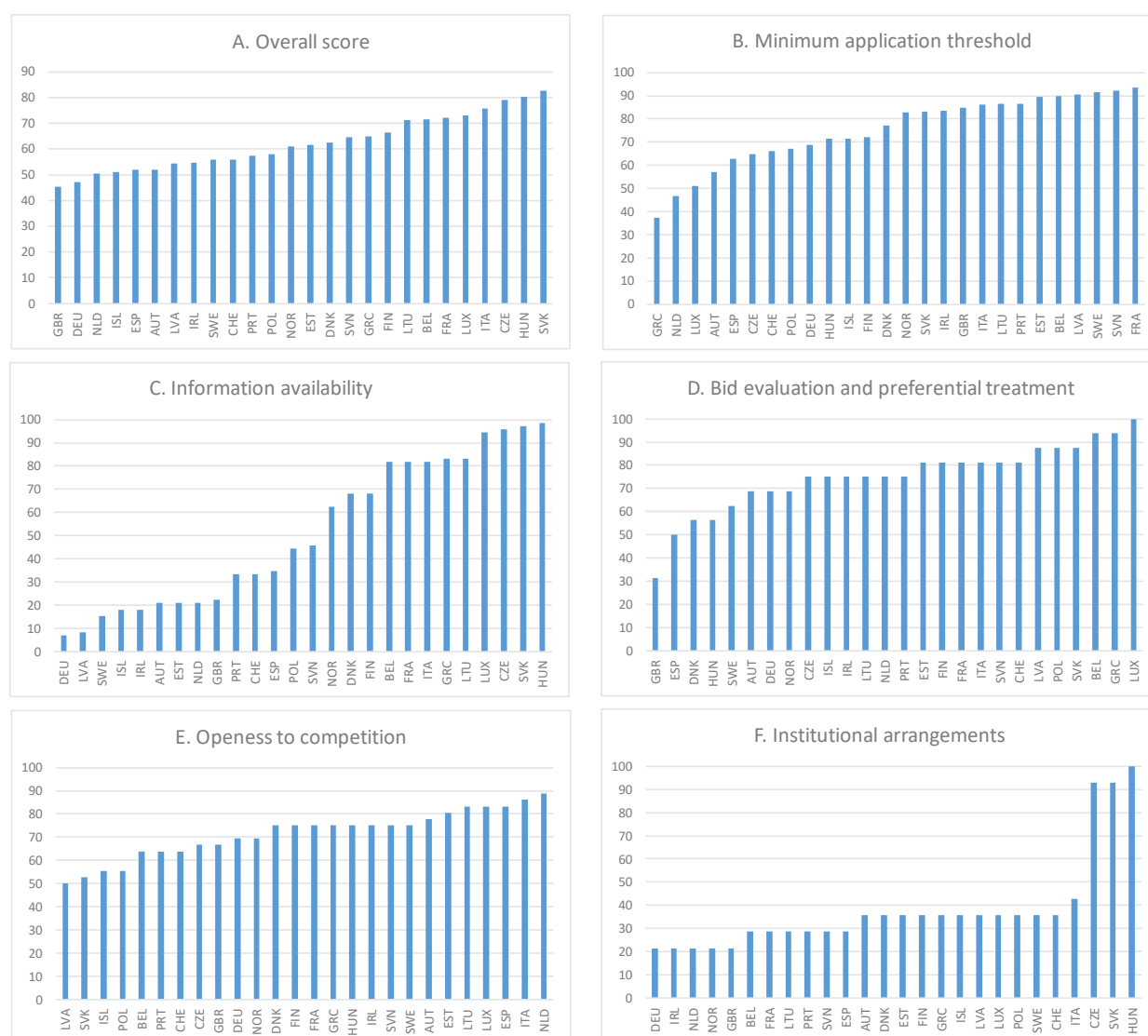
(2009-2012). They find evidence of partisan favouritism in the Hungarian central government procurement around the 2010 change of government, where company groups with unusual market success pattern took up about 50-60% of the contracts awarded. The patterns of companies winning public procurement contracts in the United Kingdom display consistent performance around the change of government, with only 10% of the market value awarded to companies with unusual success rates.

In a similar vein, Dahlstrom et al. (2019) examine the US federal government regulated contracts during 2003-2015. Distinguishing between 'politicised' (executive departments including bureaus) and 'non-politicised or insulated' agencies (independent agencies and independent commissions) public procurement contracts are split into treatment and control group. Using difference in difference estimation strategy, Dahlstrom et al. (2019) find that politicised executive departments were the most likely to use less open and competitive contracting strategies as well as experience bigger turnover in contract winners following a change in the White House.

Source: David-Barret and Fazekas (2019); Dahlstrom et al. (2019) and Fazekas and Kocsis (2015).

Figure 5. Public procurement systems based on EuroPAM

2017, score ranges from 0 to 100, with higher values signalling better outcome.



Note: Panel A refers to an aggregation of all scores to answers of 64 questions. Panel B refers to the minimum application threshold for public procurement laws, where the lowest threshold has the highest score, when no national threshold available (thus EU directive threshold applies) the score is 0. Panel C refers to publishing and record keeping of announcements for the procurement process (pre-tender information, call for tender, modification or cancellation, announcement of awarded contract, details on the contract signature, information on contract completion and supplier performance and mandatory publication of sub-contracting). Panel D refers to the existence of preferential treatment and various features of bid evaluation process. Panel E refers to requirements for publishing tenders in a centralised location, those that are not open, requirement for minimum number of bidders and bidding length requirements. Panel F refers to several institutional features such as existence of a closed list of exceptions, arbitration body, regulatory body dedicated to public procurement, and details of complaints and disputes procedure.

Source: EuroPAM.

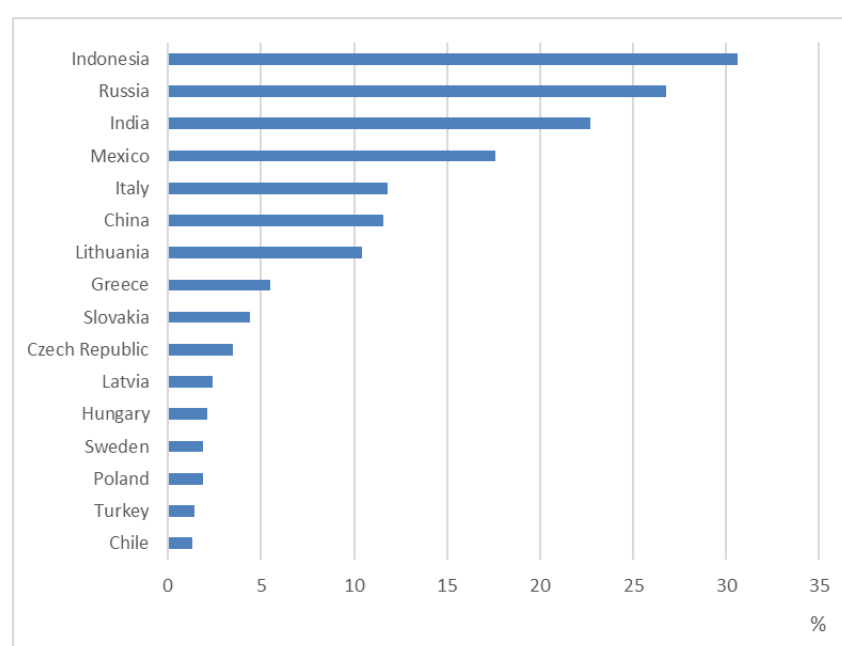
3.4. Explaining experience with corruption and public spending efficiency

3.4.1. Experience with corruption

58. In a cross-country setting, the newly collected Public Integrity Indicators could be used to try to explain the experiences of corruption. Although these capture mainly “petty” corruption and can be affected by social desirability bias⁸, such corruption remains an issue in a number of OECD countries, key partners and accession countries (Figure 6). There is a solid coverage of the general population’s experience with corruption in European countries and a growing coverage of business experiences too (WB’s Enterprise Survey is scheduled to include several high-income OECD countries in 2020) (Table 8).

Figure 6. Bribery incidence

Share of firms experiencing at least one bribe payment request (2017 or latest available)



Source: World Bank Enterprise Survey.

⁸ Socially undesirable behaviour tends to be under-reported.

Table 8. Available data on experience of corruption for OECD, key partners and accession countries

	Country coverage	Time coverage	Source
Eurobarometer ¹	27 EU countries + GBR	2005, 2007, 2009, 2011, 2013, 2017	European Commission
European Social Survey ² (ESS)	27 EU countries + GBR	2004, 2010*	ESS
Global Corruption Barometer ³	47-86 countries	2003-2019	Transparency International
Quality of Government Survey	27 EU countries + GBR	2010, 2013	
International Crime Victim Survey	37 countries (16 OECD)	1992, 1996, 2000, 2004/2005	International Victimology Institute Tilburg and UN Interregional Victim and Justice research Institute
International Social Survey Programme (ISSP)	58 countries (33 OECD)	2006, 2016	ISSP
Life in Transition Survey	29-34 countries (10 OECD)	2006, 2010, 2016	EBRD
Enterprise Survey	143 countries (11 OECD)	Generally 2-3 years over 2002-2017 period	World Bank
World Values Survey (WVS)	55 countries	1995/98, 2017/2020	World Values Survey

Note: There are issues of consistency over time in some series, although this would not pose a problem in a cross-sectional analysis. Specifically: 1) Eurobarometer changed significantly the wording on corruption experience in 2013 (filtering out from 2013 onwards those who did not have any contact with the institutions); 2) ESS changed the question from perceptions to experience; 3) Some politically-sensitive questions have been suppressed Global Corruption Barometer.

Source: Chabova (2017) and Wyszulek (2019).

3.4.2. Public spending efficiency

59. Drawing on IMF (2019), future analysis could link the Public Integrity Indicators with public spending efficiency in healthcare and education. Such efficiency can be measured by outcomes achieved given the level of spending and controls for other institutional and environmental factors (such as education, lifestyle, environment, socio-economic factors). Controlling for these, a combination of the following integrity indicators could be included as potential additional explanatory variables for a cross-section of available countries (the list is not exhaustive):

- Implementation of Supreme Audit Institution recommendations;
- Openness of government decision-making process;⁹
- Use of extraordinary proceedings for adoption of draft laws;
- Revolving doors for ministers and civil servants;
- Civil service positions filled without competition;
- Transparency of lobbying activities;¹⁰
- Use of conflict-of-interest prevention mechanisms for senior officials;¹¹

⁹ Four criteria assessed under this indicators: online availability of government meeting agendas, keeping of records of meetings, ministers' agenda and topic of meetings publically available online, regular communication of governments meetings and key decisions.

¹⁰ This indicator includes: register of beneficial ownership of corporate entities open to the public, lobby register accessible online, a supervisory function in central government oversees lobbying activities, etc.

¹¹ Submission rate of interest declarations from the executive, parliament and judiciary.

- Decisions of regulatory enforcement agencies confirmed by the courts.

60. The underlying hypothesis would be that directly or indirectly, these policies or institutions are good for public spending efficiency by reducing opportunities for corruption. For instance, given that Supreme Audit institutions are tasked with overseeing spending of public resources, their recommendations should be aimed at improving the public spending efficiency. Implementing their recommendations should lead to less waste and potentially also less opportunities to divert public resources for private benefits. Openness of government decision-making processes can increase public scrutiny thereby reducing opportunities for corruption. Indicators of revolving doors, lobbying and competition in hiring for the civil service should limit undue influence of private actors that is often labelled as grand corruption.

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Annex A. Integrity and anti-corruption issues covered in recent Economic Surveys

2019	
Austria	<p>A number of difficulties in fighting transnational corruption have been identified by the OECD Working Group on Bribery, when monitoring Austria's implementation of the OECD Anti-Bribery Convention. Special conditions include the weight of companies carrying-out cross-border activities in quasi-public services such as energy and telecommunications in Central, Eastern and South Eastern Europe (OECD, 2012). The gambling industry also has strong international ties, and foreigners account for 70% of the bets in Austria. All of Austria's top six banks have significant operations throughout the region.(...) One key matter is the low maximum fine available to companies held liable for bribery abroad. The maximum fine, of just EUR 1.3 million, does not reflect the size and importance of many Austrian companies, the location of their international business operations, and the business sectors in which they are involved (OECD, 2017). The fine is in fact lower than that which can be imposed on an individual convicted of the same conduct. Other longstanding issues upon which progress is being made include elements of bank secrecy, and the length of time it takes for the authorities to obtain bank account information. Historically, this has proved an obstacle in providing prompt and effective international cooperation to other countries in corruption cases. Austria has taken steps to address these issues through the creation, in October 2016, of a national register of bank accounts which can be directly accessed by Austrian prosecution authorities. Austria has also enacted laws to remove the previous difficulties in identifying the true "beneficial" owners of companies (OECD, December 2017). (...) Since ratifying the Convention in 1999, Austria has sanctioned only one individual for foreign bribery, and no companies have yet been convicted (OECD, December 2017). Austria's foreign bribery laws and its enforcement will be comprehensively re-evaluated by the Working Group in March 2020. Austria has also volunteered in 2018 to be examined by the IMF on the quality of its legal and institutional framework to combat bribery and prevent the laundering of dirty money.</p> <p>Recommendation: Austria should take steps to improve foreign bribery enforcement.</p>
Denmark	<p>A recent disclosure of massive money laundering in the Estonian branch of the largest Danish bank points to weaknesses in supervision. (...) At that time, anti-money laundering regulation and supervision in Denmark was insufficient and had substantial shortcomings as pointed out in evaluations by the Financial Action Task Force (FATF, 2017[14]). The Government implemented the 4th EU anti-money laundering directive in 2017 and took further initiatives in September 2018 in response to the Danske Bank case, including higher fines and additional requirements on fit and proper management. Nevertheless, there is a need to review and ensure that the regulatory framework is at least in line with international standards and to strengthen cross-border collaboration. Scrutiny should be increased to raise the risk of detection and penalties for non-compliance should be raised to a level that forces management to fight such activities.</p> <p>Recommendation: Increase scrutiny and implement more severe penalties for money laundering activities.</p>
China	<p>Corruption is still widespread, notwithstanding the various initiatives to fight it. (...)Another fast growing component of household credit has been peer-to-peer (P2P) on-line lending, which grew 13-fold in 3.5 years to H1 2018 before sharply falling as more stringent regulations, such as halting the issue of new P2P licenses from November 2017 and high profile cases of fraud, led to an increasing number of platforms closing down or struggling to operate (Figure 14). The under-regulated environment in which these firms operated led to widespread misuse of funds and over-reporting of returns. To address those issues, a registration process requiring greater transparency was introduced in December 2017 for all operating P2P firms. (...)The acceleration of high-profile corruption cases suggests that the rule of law is strengthening, though non-compliance with laws and regulations is widespread and a lack of transparency in many aspects of business provides room for discretionary decisions. Thus, corruption continues to take a toll on productivity growth and makes wealth distribution less equitable. Excessive concentration of power in the hands of managers in charge of vast State assets often makes it irresistible to turn some of it to personal gain. In an attempt to effectively address corruption at all levels and in all spheres of the society, supervisory commissions were established country-wise at the provincial, city and country levels starting early 2018, taking the anti-graft campaign to a new level. They incorporate the Party's Discipline Inspection Committees and are therefore the single anti-corruption body with a ranking equivalent to that of the judiciary and the procuratorate. (...) To prevent abuse of power, transparency and external supervision of the commissions' operation is indispensable (Deng, 2018). In addition, whistle-blower protection needs to be strengthened to make officials</p>

	<p>less willing or less able to indulge in corruption. Overseas corruption should also be prevented by extending judiciary power across the boarded and by enhancing transparency of transactions. (...) Other concerns over the [Belt and Road Initiative] include lack of transparency, increased debt, high potential for corruption and a lack of adherence to best practices in infrastructure development, financing stakeholder management and governance. (...) SOEs should be subject to competitive neutrality with regard to their access to finance, regulation, taxation and public procurement as recommended in earlier Economic Surveys. (...) While capital outflows have been crucial in acquiring foreign technology and upgrading industries, and under the aegis of “going out” also to boost profits, very often they involved profit hiding or money laundering.</p> <p>Recommendations: <i>Enhance transparency and accountability and reduce the concentration of power in managers’ hands. China should sign up to the Anti-Bribery Convention.</i> (...) Furthermore, advertising campaigns need to be strictly controlled to prevent fraud. (...) To halt money-laundering practices under the disguise of foreign direct investment, all investment, including by overseas affiliates should be reported. (...) The OECD has further instruments that could help shaping Chinese investors’ overseas activities such as the OECD Due Diligence Guidance for Responsible Business Conduct, for Meaningful Stakeholder Engagement in the Extractive Sector and for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas, the OECD Anti-Bribery Convention and OECD instruments on export credits. Furthermore, as a G20 member and sovereign creditor, China should remain committed to the implementation and adherence to the G20 Operational Guidelines for Sustainable Financing. Infrastructure projects under the aegis of the Belt and Road Initiative should be subject to thorough cost-benefit analysis as well as that of the repaying ability and debt sustainability of the recipient country.</p>
France	<p>In recent years, France implemented significant reforms to contain the risks of corruption. Based on the recommendations of the OECD Working Group on Bribery, a 2016 law (“loi relative à la transparence, à la lutte contre la corruption et à la modernisation de la vie économique”) introduced new procedures to criminalise influence peddling of foreign public officials and reinforced the resources allocated to the fight against transnational corruption (Table 12). It also imposed the creation of corruption prevention programmes for businesses and created the French Anti-Corruption Agency (AFA) to support them. In 2016, another law (“loi relative à la déontologie et aux droits et obligations des fonctionnaires”) also provided a framework, at the national level, to better monitor the risks of conflicts of interest (IMF, 2017). Moreover, a public procurement office at the central-government level (direction des achats de l’État) was set up in 2016 with the aim of professionalising public buyers. (...) In 2016, new procedures to criminalise influence peddling of foreign public officials and reinforced the resources allocated to the fight against transnational corruption. (...) Corruption prevention programmes for businesses mandated and created the French Anti-Corruption Agency to support them. (...) In 2016, a public procurement office at the central government level created. (...) Moreover, the data related to public procurement contracts awarded were also made publicly available in 2018 to foster the prevention and fight against corruption and promote competition. (...) Online procurement platforms with different requirements currently co-exist at different administrative levels (from municipalities to regions), which entails costs for potential bidders, particularly for SMEs that have to tailor their bids to different online platforms. The operations of the main public purchasing body in France – UGAP (Union des groupements d’achats publics) – is rather modest (about EUR 3 bn in 2017 or less than 4% of public purchases) compared with other OECD countries such as Korea where the central purchasing body concentrates about a third of public-sector purchases (Saussier and Tirole, 2015).</p> <p>Recommendations: There is room to improve the knowledge of anticorruption mechanisms within small local governments (AFA, 2018), and thereby to further professionalise public procurement processes at the local level (Chapter 2) (...) Regions could help co-ordinate joint purchasing solutions among lower-level public bodies, including municipalities.</p>
Hungary	<p>Measures have been introduced to address problems of corruption, but perceptions remain high. (...) Additional minor revenue losses, amounting to 0.2% of GDP in 2017 and 0.1% in 2018, came from the lowering of the VAT rate on selected products (European Commission, 2018a). The government’s main objective for this lowering was to combat VAT fraud. (...) As reported in the last Survey, the European Commission estimates a relatively high risk of corruption in public procurement involving EU structural funds (OECD, 2016d). Moreover, perception of corruption is higher than in most other OECD countries (Figure 2.22). Anti-corruption measures include the 2015 adoption of the National Anti-Corruption Programme. As recommended in the last Survey, this should be complemented with the establishment of a dedicated anti-corruption agency. Since April 2018, the use of a newly established central electronic public procurement system (EKR) is a compulsory.</p> <p>Recommendations: <i>A dedicated anti-corruption agency should be established.</i> Continued efforts to exploit the use of generics and improvements in public procurement practices for pharmaceutical products could help contain overall spending on pharmaceuticals (OECD/European Observatory on Health Systems and Policies, 2017).</p>
Iceland	<p>Recently anti-money laundering efforts have been stepped up. According to the June 2019 follow up to the 2018 Financial Action Task Force (FATF) mutual evaluation report (an intergovernmental organization monitoring money-laundering), Iceland is currently rated as “compliant” in 14 out of 40 priority areas identified by the report, compared to 5 areas in 2018, while it has almost halved the number of “partially compliant” and “noncompliant” ratings. Staff working on financial crime-related issues was also tripled (IMF, 2018[7]). Efforts towards addressing remaining weaknesses in the existing anti-money laundering/counter-terrorist financing framework are important to minimise risks to financial stability, especially after the lifting of most capital controls in 2017. (...) In 2018 parliament amended legislation to cover bribery of officials employed by SOE and state-controlled companies. Also, a bill to strengthen the protection of whistle-blowers in the public</p>

	<p>and private sectors and to improve access to information set to the parliament. (...) Perception of corruption is low in Iceland, but it has crept up since 2012 (Figure 20). The small size of the country can exacerbate susceptibility to corruption. Low transparency in government decision-making and frequent conflicts of interest indeed seem to be a problem (Council of Europe, 2015[37]).</p> <p>Recommendation: Going forward the 2018 FATF report recommends enhancing internal co-operation and coordination to effectively continue combat financial crime (FATF, 2018).</p>
India	<p>Corruption has declined but remains high. The lack of a comprehensive legislation for public procurement, consistent across levels of government, is an issue. (...) Firm-level corruption an issue. 2018 Prevention of Corruption act made bribing of public officials an offence, established corporate criminal liability for such bribery. Petty corruption in basic services, with interactions related to police, housing/land records and health/hospital services most prone to corruption. (...) 2016 Act requiring public servants to declare assets annually, prohibition of real estate transactions in the name of others (money-laundering vehicle). (...) For public procurement, which often is a major source of corruption, one key issue is the lack of comprehensive procurement legislation (Hazariika and Ranjan Jena, 2017[25]). The procurement regime is fragmented, with variation in practices and interpretations across ministries and organisations. The discretion that the procuring entities have in interpreting rules and regulations makes public procurement highly vulnerable to unfair practices and corruption. It also leads to inefficient infrastructure and additional costs for taxpayers. To reduce the risk of corruption, efforts have been made to promote e-procurement and epayments. However, while tenders incorporate clauses on prohibiting corrupt practices in the bidding process, no penalties are specified. (...) People also suffer from corruption, which tends to fall disproportionately on the poor since the well-positioned often have the connections to avoid it. Encouragingly, (CMS India, 2018[28]) finds that petty corruption in basic services for citizens has come down. (...) Increased reliance on e-government and digital payments are helping to reduce corruption and graft. Many public services have been digitalised, such as paying taxes or obtaining permits, thereby reducing the number of face-to-face interactions with government officials and thus opportunities for corruption. For public procurement, the implementation of government e-market place has improved transparency. A major initiative for households is the replacement of price subsidies by direct benefit transfers, paid to beneficiaries on their bank account. Measures to reduce the cost of digital payments have boosted their use, thus enhancing transparency and accountability. (...) Laws are also being changed to make corruption an offence. The Prevention of Corruption Act, passed in 2018, has made it an offence to bribe Indian public officials, and established a corporate criminal liability for such bribery. Previously, India could only prosecute bribe givers as accomplices of the bribe receivers. In addition, India can now prosecute companies, not just individuals, for paying bribes. The body for investigating complaints of corruption against public servants in the central government, as envisaged by the 2013 Lokpal Act, was established in March 2019.</p> <p>Recommendation: Harmonise legislation on public procurement across the government. Consider signing the OECD anti-bribery convention. (...) It makes it an offence to bribe foreign public officials and would strengthen India's arsenal to fight against corruption and help Indian companies to enter foreign markets. (...) To reduce further corruption and the associated costs for the population, India should speed up the recruitment process for existing institutions. It should also look at whether coordination between anti-corruption institutions is strong enough.</p>
Italy	<p>Despite recent progress, tax evasion remains high and cash payments are used more than elsewhere. (...) Public administration reforms must go hand-in-hand with continued efforts to fight corruption. (...) The legislative framework on anti-corruption has evolved remarkably since the systematic intervention in 2012, which established a path for reforms that are still ongoing. The Anti-corruption Authority (ANAC), which is independent from the government, was established in 2014. Since then, it has gradually gained a prominent role by offering advice to central and sub-national governments and agencies on adopting and strengthening corruption-preventing measures, managing the electronic platform to collect information from whistle-blowers and issuing guidelines and regulations on public procurement contracts. ANAC can apply administrative sanctions to public officials not complying with the obligation of adopting anti-corruption plans or codes of conduct. Through its experience with hosting the Expo 2015, Italy has developed with the OECD a model to manage large and ad hoc procurements while minimising corruption risks (United Nations, 2009[17]). Besides having significant powers regarding transparency, integrity and anti-corruption plans, ANAC is responsible for issuing the implementing regulation of the 2016 public procurement code and overseeing public procurement and contracts. (...) The 2016 public procurement code is innovative and well-designed. The new code has enhanced transparency of contracting authorities and contracting entities relating to public procurement. The code sets standard timeframes and conditions for participation in public tenders, awarding tender criteria, legal recourse and appeal processes. The code also establishes a register for members of public-tender boards, which is expected to enter into force in 2019. To enhance general transparency and integrity of procurement, ANAC collects, analyses and publishes all relevant procurement data. (...) While some aspects of the Public Procurement Code may need to be streamlined, the role and power of ANAC should be protected. The Code's implementation delays are not attributable to ANAC. They are instead due to the novel aspects of the Code aiming at lowering corruption risks, and enhancing competition in bidding processes and project quality. However, these innovative aspects also require some time for all stakeholders to understand them and to provide feedback to ANAC before it issues implementing regulations. (...) The latest plan focuses on revenue agencies, use of European funds and waste management (ANAC, 2018). (...) The reforms undertaken in the past ten years to fight corruption and improve public procurement go in the right direction and show the seriousness and determination of Italy's successive governments on this issue. Despite this, indexes of perceived corruption are still generally high, compared to other countries (Figure 19). This could be due to two not mutually exclusive reasons. First, the reforms of the past ten years have not yet produced the expected benefits as implementation and following due processes take time. Second,</p>

	<p>perception indexes may not adequately measure corruption. For instance, according to the Eurobarometer survey, Italy has a high percentage of respondents reporting a high level of corruption in daily life but at the same time, the percentage of respondents reporting to have personal experience of corruption is low. Measuring corruption, and more generally the efficiency of the public administration, on a more objective basis is key to designing and implementing effective anti-corruption measures and enhance trust in the government. To this end, Italy is actively participating in different international initiatives, at the G20, UN and the OECD, aiming at developing indicators to measure corruption and progress in reducing it more objectively. The OECD has been working on open data, quantitative analysis and the use of data analytics to combat fraud, waste and abuse, and to promote public integrity and improved government performance (High-Level Advisory Group, 2017[18]). (...) As underlined by the Anti-corruption Authority (ANAC, 2018[25]), the fragmentation of responsibilities over waste management among regions, provinces and municipalities leads to weak coordination and lack of synergies, heightening corruption risks. (...) Execution problems at central and sub-national levels concerning large projects and deficient coordination of sub-national governments and agencies lead to too many small projects. This results in excessive fragmentation and lower synergies, in addition to heightening risks of corruption (ANAC, 2018[69]). (...) Many OECD countries are increasingly relying on digital technologies to detect and prevent tax evasion and build synergies within the tax administration. Italy's tax administration has increased its use of digital technologies over the past few years. For instance, the prefilled declaration for individual tax payers was introduced in 2015 and its number of users has been increasing rapidly since then. Moreover, the electronic invoicing became mandatory also for private transactions in January 2019. (...) Increasing reliance on digital technologies to lower tax evasion must be accompanied by flanking policies to reduce cash payments and manage tax obligations arising from the sharing economy. (...) Sales suppression and over-reporting of deductions through false invoicing are common forms of tax evasion. Cash transactions and the sharing economy facilitate these types of tax evasion but digital technologies now exist to reduce and eliminate them. They include electronic cash registers connected to fiscal control units and e-invoicing systems. This reduces the risk of underreporting sales by securing sales data as transactions occur and store them in a way that cannot be manipulated with external software.</p> <p>Recommendation: Continue to improve voluntary tax compliance and avoid repeated tax amnesties. Lower the maximum threshold for cash payments. Abolish tax expenditures that are poorly targeted or have outdated objectives. Continue to improve coordination across tax administration agencies. (...) Simplify the most complex aspects of the public procurement code but protect the powers of the anti-corruption authority. (...) To expedite the implementation of the new Code, the government should issue the implementing decree that sets the criteria to identify the qualifying contracting authorities for public procurement contracts on which ANAC already provided advice. The government should follow up on ANAC's Triannual Plan to Prevent Corruption (updated annually), as it contains useful recommendations to reduce corruption risks in different policy areas at sub-national and central levels. (...) The government should also stagger the appointment of the ANAC's board members to avoid replacing all board members at the same time.</p>
Japan	<p>Japan stands out in terms of the length of corporate fraud episodes. The longevity of corruption cases reflects the domination of insiders, including corporate boards consisting primarily of former employees, with few outside directors and weak auditing procedures. Auditors, who are appointed by the board, have no voting rights, cannot dismiss directors or impose sanctions on them, and are poorly paid. (...) In June 2017, Japan amended its legislation so that companies and individuals convicted of bribing foreign public officials do not keep the proceeds or benefits of this crime. With this measure, Japan took a step toward implementing the OECD Convention. (...) In addition, whistleblowing has traditionally not been common in Japan. Japan established a Whistle Blowers Protection Act in 2004, but a 2013 government survey found that more than two-thirds of employees were unaware of it (Consumer Affairs Agency, 20163). Moreover, those who point out fraud often face retaliation or are fired by their employers, although they can sue to invalidate their firing or receive compensation. (...) Only four cases of foreign bribery in Japan have resulted in punishment since 1999, when its legislation was amended to make it a criminal offence to bribe foreign public officials to obtain advantages in international business. In June 2017, Japan amended its legislation so that companies and individuals convicted of bribing foreign public officials do not keep the proceeds or benefits of this crime.</p> <p>Recommendations: The Corporate Governance Code states that companies should establish whistle-blower contact points "independent of company management", such as a panel consisting of independent directors. Among other measures, making such a system mandatory for firms would help reduce corruption (...) Japan should also strengthen efforts to fight bribery by Japanese companies and individuals in their foreign activities by better implementing the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions.</p>
Latvia	<p>Informality, such as under-declaration of income and tax evasion, is high, weighing on the access of workers to social security and training, on productivity and on tax revenues that are much needed for higher spending. (...) Dealing with money laundering issues that came mainly from banks specialised in foreign customer services has been a challenge. (...) There are challenges in relation with the unwinding of the large share of foreign deposits following money laundering allegations. The related downfall of ABLV, Latvia's then third-largest bank, in the summer of 2018 highlighted the need for further action. Since then Latvia banned its banks from servicing certain types of high risk "shell companies" and oversaw a reduction in non-resident deposits by more than 60 % following a tightening of anti-money laundering and combating of terrorism financing (AML/CFT) framework in 2016 and 2018 (Figure 16). (...) Abuse of insolvency procedures in the past has undermined the judiciary's credibility and the recovery of bank credit growth. Trust in the independence of the judiciary and its effectiveness in addressing corruption is low (...). The government developed an action plan to strengthen the quality and capacity of supervision, control and law enforcement bodies regarding anti-money laundering and combating of terrorism financing, following the July 2018 mutual evaluation report by an international group of experts (Moneyval, 2018) and an OECD report (OECD, 2019a). The action plan will be implemented with the technical assistance</p>

	<p>of the OECD under the supervision of the Financial Sector Development Council, which is chaired by the Prime Minister and includes prosecutors, relevant ministers, representatives of the central bank, financial market regulators and other stakeholders. The 2019 budget foresees funds to increase the capacity of law enforcement agencies to combat money laundering through more hiring and training. The government is actively working to pass laws that will help to strengthen the authorities' capacity to detect, investigate and prosecute money laundering activities. (...) Large training programme to enhance age capabilities of law enforcement officials and judges is ongoing. In particular, extensive training is provided on insolvency, economic and financial crimes and corruption prevention. The government has foreseen larger budgets and new posts for several law enforcement agencies, including the Financial Regulator, the Financial Intelligence Unit and the Corruption Prevention and Combating Bureau. However, the actual procedures have been slow and staff have not increased as planned in any of these institutions. (...) However, mild sentences continue to impede the fight against economic crimes, including under-declaration of income and tax evasion.</p> <p>Recommendation: Continue the engagement of social partners in the fight against informality through sectoral agreements. Offer sufficiently high wages to attract qualified personnel in law enforcement agencies. (...) Ensure continued commitment at the highest level of the government to swiftly implement the government action plan, strengthening the anti-money laundering and combating of terrorism financing framework. (...) Improve the quality and speed of judgement through training and specialisation of judicial staff. (...) Ensure the accountability of judges, including by extending the deadlines for dealing with disciplinary cases. Strengthen the budgetary independence of the Corruption Prevention and Combating bureau (KNAB). (...) Strengthening the judiciary and law enforcement agencies would help improve trust in institutions, address corruption, widespread under-declaration of income, or informality and tax evasion, and money laundering issues.</p>
Luxembourg	<p>The CSSF was the first EU supervisor to have granted a license of a payment institution to [cryptoasset trading] platforms, covering the fiat currency part of their activities, thus requiring compliance with legislation to prevent money laundering and terrorist financing, as well as with relevant regulation in other areas (e.g., governance, internal control. (...) However, the large magnitude of capital flows involving Luxembourg poses associated risks of economic crime, especially of a cross-border nature. A case in point is bribery of foreign public officials. Luxembourg's enforcement of the OECD Anti-Bribery Convention remains very modest, with only one criminal case concluded over 1999-2017, and only one individual sanctioned (OECD, 2018f). The authorities claim that recent draft legislation will, when approved, implement two OECD recommendations for combatting this form of corruption. They have also mentioned that Luxembourg has adequately responded to requests for mutual legal assistance from other countries, sanctioned one case in 2018, and investigated two more cases that are still ongoing. Progress on enforcement will be assessed by the OECD Working Group on Bribery, with the next evaluation of Luxembourg scheduled for 2021. (...) Luxembourg faces an inherent high risk of money laundering of foreign proceeds. The legal framework to fight money laundering has been upgraded with the transposition into national law of the 4th EU Anti-Money Laundering Directive, which was completed in 2018. Active enforcement is key for risk mitigation, and should be informed by the national risk assessment exercise completed in 2018. In this context, a register of beneficial owners of corporate and other legal entities, which will help detection, has been set up by recent legislation (January 2019), and will be accessible to the authorities as of September this year. A draft bill setting up a separate register of beneficial owners of trusts and other types of legal arrangements is under preparation as part of the transposition of the 5th EU Anti-Money Laundering Directive.</p> <p>Recommendation: -</p>
Sweden	<p>Corruption is seen as more widespread in private companies than in the public administration, which enjoys a high level of trust. Like individuals, companies perceive that corruption is low, with less than one in ten reporting that corruption in Sweden is a problem for their business, as against over a third EU-wide. The most widespread form of corruption is nepotism, which is seen as much more common than tax fraud or bribes and kickbacks in Sweden (European Commission, 2017[8]). (...) However, Swedish companies face corruption challenges when conducting business abroad in high-risk jurisdictions and sectors. According to the OECD Working Group on Foreign Bribery, Sweden's system of corporate liability for foreign bribery does not meet the requirements of the OECD Anti-Bribery Convention and Sweden has still not implemented reforms on corporate liability recommended by the OECD Working Group on Bribery in 2012 (OECD, 2012[9]; OECD, 2014[10]). In particular, maximum fines for companies paying bribes are low, companies may not be liable for foreign bribery unless individuals are convicted and prosecuted, and current legislation contains loopholes allowing Swedish companies to avoid liability if they pay bribes abroad, notably through business partners such as foreign subsidiaries (OECD, 2017[11]). Sweden has taken institutional measures to step up enforcement, as noted by the Working Group on Bribery, but in practice this has been limited to natural persons (OECD, 2017[12]). (...) A smaller role for cash may help fight illegal activities and tax evasion (Rogoff, 2016[33]). However, digitalised payments may lead to new forms of tax evasion (Kireyev, 2017[34]). In addition, there would be a high cost in terms of privacy if anonymous transactions became impossible.</p> <p>Recommendation: -</p>

Mexico	<p>Tax collection is low. A narrow tax base and high tax evasion limit the resources to finance needed infrastructure investment and policies to reduce poverty and inequality (...) Despite good progress to foster integrity, corruption remains widespread. High crime rates hinder economic activity and citizens' well-being, particularly impacting the poor and women. (...) To reignite productivity growth and improve living standards, Mexico has embarked on an ambitious programme of reforms in labour markets, competition, education, anticorruption, financial sector openness and inclusion and judicial reform. (...) The rule of law and quality of institutions in Mexico is low and has deteriorated, disproportionately hurting the poor. Impunity levels are extremely high, violent crime continues to grow and control of corruption is weak compared to not only OECD countries but also Latin American and Asian economies. (...) The implementation of the National Anti-corruption and Local Anti-corruption Systems should be completed. (...) consider introducing a specialist, independent anti-corruption agency that takes into account the federal structure of the government. (...) The 2019 budget presented a reduction in expenditures ... [that] implied a reduction in the amount of spending allocated to autonomous entities, many of which have roles central to anti-corruption and integrity priorities. (...) Moreover, lower public sector wages may make the fight against corruption more difficult. (...) The government is therefore accelerating the implementation of the ambitious National Anticorruption System. In addition, it is proposing five priority action areas. These reforms are an extremely positive step. (...) Addressing corruption at the state and municipality level is crucial for improving integrity given that many of the opportunities for corruption take place at the subnational level. Recognising this, the General Law of NACS requires states to create local anti-corruption systems consistent with the federal system. Under the reforms, mandatory local anti-corruption systems were supposed to be in place by July 2017. However, several states have not yet fully implemented their state-level system, but important progress has been made. As of March 2019, 27 states had completed the required legislative changes, 29 had appointed an Anti-corruption Prosecutor, 28 had created their Coordination Committee, and 22 had completed the state structures (Sistema Nacional Anticorrupción, 2019[99]). In 2017, the Committee of Administrative Participation filed a constitutional challenge (amparo) against several states for the delay in undertaking legislative changes required by the system. The OECD Integrity Review therefore recommended that the Coordination Committee dedicate specific resources to monitoring subnational legislation to ensure that they have the strength of the federal anti-corruption laws in order to operate efficiently and to avoid shielding the subnational executive branches from sanctions (OECD, 2017[85]). Local anti-corruption systems that are in line with the General Law should be adopted and implemented, and monitored by an anti-corruption agency (if established – see below) or otherwise the Coordination Committee. Going forward, the outcomes of NACS should be monitored and evaluated. If it is not achieving the desired results, Mexico should consider introducing a specialist anti-corruption agency, with a clear mandate, specialist staff and sufficient resourcing. Anti-corruption agencies have been established in several countries, although different countries have taken different approaches to the scope and institutional structure of these agencies (OECD, 2013[98]). In Mexico, such an agency would need to take account of the government's federal structure, and the consequent devolution of power to subnational governments. Malaysia offers a recent example of a country making efforts to improve its anti-corruption governance framework.</p> <p>Recommendations: <i>Develop a comprehensive tax reform for implementation in the medium term. Broaden the VAT base by cutting exemptions and abolishing reduced rates while compensating the poor with targeted subsidies. (...) Complete the implementation of the National and Local Anticorruption Systems reforms and monitor the results. If needed, consider introducing a specialist, independent anticorruption agency that takes into account the federal structure of the government. Continue efforts to reduce crime and impunity. A firm commitment to fighting crime and widespread corruption could create a more enabling business environment. (...) Improving simultaneously the quality of institutions, reducing corruption and increasing efficiency of the judicial system would strengthen contract enforcement and incentives to firm formalisation, investment and growth (Sukiassyan and Nugent, 2005; Laeven and Woodruff, 2007; Sukiassyan and Nugent, 2008).</i></p>
Norway	<p>According to an annual survey (the Norwegian Crime and Security Survey, KRISINO), around 10% of respondents state they are aware of corruption within their industry over the course of the previous 12 months. Interestingly, the recent threat risk assessment by the National Authority for Investigation and Prosecution of Economic and Environmental Crime (ØKOKRIM, 2018) flags the corruption risk in local administrations, particularly as regards procurement and planning permissions. Norway has an export-oriented economy, with companies operating in corruption-exposed jurisdictions and sectors, such as oil and gas, shipping, and telecommunications. Media focus on corruption, as well as recent foreign-bribery enforcement actions by ØKOKRIM have reportedly deterred corruption and encouraged companies to develop anti-corruption compliance programs. The Working Group on Bribery's latest evaluation of Norway's progress in implementing the OECD Anti-Bribery Convention (OECD, 2018d) (...) Good practice on pro-active pursuit of foreign bribery investigations, integrated approach to enforcement, robust framework for whistle-blower protection and corruption risk management in official development assistance. There is scope on greater clarity regarding corporate liability of subsidiaries and joint ventures and more transparency when cases of bribery are resolved outside court. (...) Risks of corruption at local level as regards procurement and planning permissions. The Working Group on Bribery's latest evaluation of Norway's progress in implementing the OECD Anti-Bribery Convention (OECD, 2018d) underscores several areas of good practice: proactive pursuit of foreign bribery investigations, ØKOKRIM's integrated approach to law enforcement, a robust framework for whistle-blower protection and corruption risk management in official development assistance. However, the report finds scope for greater clarity regarding corporate liability for offences committed within the operations of related entities (e.g. subsidiaries or joint ventures) and calls for more transparency when foreign bribery matters are resolved out of court. Shortfalls in clarity hinder the business community's understanding of the law and may dissuade prosecution. The report also concludes the new Penal Code's jurisdictional provisions could unduly limit Norway's ability to prosecute foreign bribery committed abroad. As regards anti-money laundering measures, Financial</p>

	<p>Action Task Force (FATF) follow-up reports have pointed to improvement, however indicators continue to suggest Norway is below par on some fronts (Figure 1.21, Panel F). (...) In 2017 simplified procurement regulation introduced.</p> <p>Recommendation: -</p>
New Zealand	<p>New Zealand has addressed many of the recommendations in the OECD Working Group on Bribery's New Zealand Phase 3 report (OECD, 2013[2]) on combating bribery of foreign public officials, in particular by amending key pieces of legislation (OECD, 2016[3]). The Group noted that while New Zealand had made progress in detecting and investigating foreign bribery offences, none of the six investigations to date had given rise to a prosecution. It stressed the 'significant need for New Zealand to strengthen enforcement of its foreign bribery offence' (ibid, p. 4). (...) A factor that contributes to high social capital is low perceptions of corruption, although there has been some deterioration in recent years (Panel B). Perceptions of the use of public power for private gain are also low.</p> <p>Recommendation: -</p>
Portugal	<p>The authorities have made significant efforts to investigate and fight economic and financial crime, including corruption. Nevertheless, there is still room to improve institutional arrangements in this area. (...) Furthermore, a regularly updated electronic registry of interests for all government members and senior civil servants should be introduced and monitored. (...) More than half of the potential VAT revenue in Portugal goes untaxed as a result of exemptions, reduced VAT rates and weak tax enforcement and tax evasion. The VAT performance is lower than the OECD average (Figure 14). (...) To improve confidence in core institutions, the authorities are committed to investigating and punishing wrongdoing. For example, the Public Prosecution Office has strengthened the collection and analysis of evidence to improve the effectiveness of anti-corruption investigations and the cooperation with audit and control bodies to improve the detection of graft (European Commission, 2018b). Associated projects were partly financed by European structural funds at a time when the budget of the Public Prosecution Office was cut. There has also been a parliamentary committee established, with the aim of improving transparency in public offices. (...) When adjusting for price differences across countries, the funding of the public prosecution office on a per capita basis in Portugal is comparable with most other European jurisdictions, although it is notably lower than in some countries such as Switzerland and the Netherlands in which the available indicators suggest perceived corruption is very low. It should be noted that such comparisons of budget allocations do not take into account cross-country differences in the remits of public prosecution offices. The government has pledged to create a public registry of interests for local government officials, which should help the public prosecution office perform its duties, though this has not yet been implemented (European Commission, 2018b). Such a registry should be kept in electronic form, regularly updated and monitored. (...) In tandem, specialised training for public prosecutors should be reinforced. Specialised training is important because it enables public prosecutors to be able to perform their professional activity, as complex cases such as those related to economic and financial crime often require specific knowledge and expertise. (...) Trust in public procurement among Portuguese firms is low, with firms often perceiving problems with direct awards and non-competitive procedures (Eurobarometer, 2017). Of all contracts, the majority have typically been direct awards. Such contracts are sometimes justified based on extreme urgency. However, in the past, this concept was often interpreted broadly, contributing to excessive procurement through direct awards. In early 2018, a reformed Public Procurement Code entered into force, transposing European Directives. The reformed Code aims at promoting transparency and better management of public contracts, making stricter restrictions on direct awards and other conditions for higher value non-competitive procedures. To ensure that it is effectively enforced, the government has strengthened the Court of Auditors' auditing powers and capacity to perform ex-ante and ex-post control of public contracts (European Commission, 2014).</p> <p>Recommendation: Continue to enhance the capacity of the Public Prosecution Office to address economic and financial crime, including corruption. Public prosecutors should continue to undertake specialised training in this area. Establish an electronic registry of interests for all government members and senior civil servants that is regularly updated. (...) The Public Prosecution Office and the Criminal Investigation Police should be endowed with adequate resources and continue to provide specialised training for public prosecutors on economic and financial crime, including corruption. (...) It is important to continue using financial investigations to seize assets obtained through the commission of criminal offences. (...) The Public Prosecution Office and Criminal Investigation Police should be endowed with adequate resources, which helps to investigate crimes but also to deter corruption from occurring in the first place. (...) Also, specialised courts with national jurisdiction for corruption could be considered. Such courts currently operate in some other OECD countries, such as the Slovak Republic. The appeal procedures should also be reviewed to prevent abuse. (...) Finally, it is important to continue using financial investigations to seize assets obtained through the commission of criminal offences. These measures would prevent the value of assets from declining and the ownership of assets being appropriated by criminals, thus making sure that crime does not pay.</p>

Colombia	<p>Tax evasion is widespread. (...) Despite good progress to foster integrity, corruption remains the main concern for citizens. (...) Tax evasion on VAT and corporate income tax combined could be around 4% of GDP (OECD, 2015[17]). (...) The implementation of electronic invoicing, becoming mandatory at the beginning of 2019 and expected to be fully implemented by 2020, is a welcome step in that direction, as illustrated by Chile, where electronic invoicing was introduced in 2003, increasing revenues. Another way to fight tax evasion would be to limit the use of cash, which accounts for 90% of all transactions, significantly higher than in other emerging economies, such as Brazil or Turkey (Pérez, Pacheco and Salazar, 2016[22]). (...) Colombia should also consider phasing out the financial transaction tax, which favours informality and tax evasion, and hampers financial inclusion, despite some exempted transactions and financial products. (...) Colombia has made significant progress with recent anti-corruption efforts and initiatives to foster integrity and combat corruption in the public sector (OECD, 2017[71]). However, it consistently rates poorly in corruption indices. High corruption has been identified as the main concern for Colombian citizens in latest surveys. The last Transparency International report ranked Colombia 99 out of 180 countries. The biggest challenge to fighting corruption effectively remains at regional and local levels, where corruption seems to be more entrenched. Regulating the financing of political parties and campaigns would be a crucial step, as current legislation does not limit the resources that can be provided by the candidate. This implies that candidates can finance 100% of their campaign with own resources, undermining the possibility to track the origin and quantity of funds spent. Contrary to most OECD countries, there is no whistle-blower law. Implementing effective whistle blower protection legislation would be a crucial step in the fight against corruption, including at regional and local level. Whistle-blower protection mechanisms were recently introduced to fight cartel behaviour and they have proved valuable to detect and dismantle uncompetitive practices (SIC, 2017[46]). Integrity in the public sector benefited from the establishment of the new central procurement entity, Colombia Compra Eficiente, in 2012. Only procurement from central government is centralised. A significant amount of purchases is still undertaken by subnational governments, indicating that there is still room to improve efficiency and reduce scope for corruption in procurement by bringing to Colombia Compra Eficiente all procurement activities of local and regional governments. (...) The National Protection Unit, assigned to the protection of trade unionists, has undertaken an impressive range of measures to improve the protection programme for trade unionists and to tackle in-house corruption.</p> <p>Recommendations: <i>Lower the rate and broaden the base of corporate taxes. Reinforce tax administration and establish a limit for large cash transactions. (...) Introduce whistle-blower protection procedures. Bring all purchases by subnational governments into the central procurement entity (Colombia Compra Eficiente). Regulate the financing of political parties and campaigns. (...) Strengthening the fight against corruption would also be essential and would facilitate the reform agenda, as it would boost trust on government. (...) Strengthening further the tax administration, DIAN, whose capacities are constrained by low investment in IT systems (OECD, 2015[17]), is crucial (Figure 21). A broader use of IT would simplify tax administration and enforcement and lower costs for tax payers. (...) It would also be beneficial if the [agency dedicated to the planning of infrastructure] agency is tasked with providing subnational governments with technical assistance and advice, to avoid that insufficient planning, non-competitive procurement and corruption continues to hamper local and departmental infrastructure, particularly in rural areas.</i></p>
Switzerland	<p>(...) vigilance around fintech activities is warranted due to unknown risks and consequences as well as potential threats to financial stability, risks of regulatory arbitrage and money laundering, and concerns about consumer and investor protection. (...) the size and internationalisation of its financial sector increase the risk it is used for criminal activities such as money laundering, including of proceeds of foreign corruption and bribery (OECD, 2018e; FATF, 2016). Around one-quarter of foreign wealth management is managed in Switzerland (OECD, 2018e). Many multinational businesses that have a registered office in Switzerland are also exposed to bribery in international trade. This is particularly the case for trading companies: Switzerland accounts for one-third of global oil trade (OECD, 2018e). Switzerland's anti-money laundering measures are considered more effective than other countries in many aspects except international co-operation (Figure 1.14). Around half of the 403 ongoing criminal investigations at end-2018 related to money laundering (OAG, 2019) and Switzerland has demonstrated a higher level of enforcement of foreign bribery. (...) From 2020 financial intermediaries must undertake more due diligence on new accounts and cash transactions above CHF 15 000. And more institutions will be supervised directly by the financial markets supervisor. Changes to the anti-money laundering law with Parliament include measures to strengthen due diligence and reporting obligations beyond financial intermediaries and improve international co-operation. (...) Continuing to fight money laundering and foreign bribery will contribute to uphold the reputation of Switzerland as a financial centre. (...) Expanding the use of e-procurement would increase transparency and reduce opportunities for corruption. In 2015 one-fifth of federal government procurement was not posted on <i>simap</i>, the e-procurement website (Parvex, 2017). (...) Leakage due to fraud and tax evasion appears low: in 2016 revenue collected amounted to almost 70% of potential revenues (proxied using consumption and the standard rate), one of the highest ratios in the OECD (OECD, 2018i).</p> <p>Recommendations: <i>The framework could be reinforced by larger sanctions for non-compliance with anti-money laundering obligations, which were judged inadequate (OECD, 2018e; FATF, 2016). And the Money Laundering Reporting Office itself could be strengthened with more resources (OECD, 2018e). Legal protection should be given to whistle-blowers in the private sector to rectify a deficiency repeatedly highlighted by the Working Group on bribery (OECD, 2018e). Proposed legislation was rejected by Parliament in 2019. Action is also needed to ensure that sanctions imposed in foreign bribery cases are effective, proportionate and dissuasive.</i></p>

2018

Brazil	<p>Rising public spending has in part come at the cost of lower private investment. This and other factors including deteriorating terms of trade, political turmoil and corruption allegations have led to a decline in investment by around 30% since 2014. (...) The pervasive dimensions of corrupt practices exposed by recent allegations at the highest levels have also revealed significant challenges in economic governance. (...) With respect to foreign bribery, Brazil has significantly improved its ability to proactively investigate foreign bribery in close cooperation and coordination with other parties to the OECD Anti-Bribery Convention (OECD, 2017e). (...) A series of corruption allegations began to surface in Brazil in 2014, associated to the term “Operação Lava Jato” (Operation Car Wash). The investigations, facilitated by a new anti-corruption law and enhanced scope for plea-bargain agreements, were initially focused on the state oil company Petrobras, but later extended to other sectors, including construction, infrastructure, energy and food processing. Through plea bargain arrangements, business executives implicated high-ranking politicians, some of which have been sentenced. In many cases, investigations are still ongoing. (...) Improving transparency and accountability are key for addressing the root causes of corruption. Brazil already has a transparency law, but despite progress at the federal level, its enforcement is uneven across states and municipalities. Essential information about procurement contracts whose disclosure is mandated by law is often not provided (Mohallem and Ragazzo, 2017). Moreover, institutions charged with combating corruption have sometimes failed to collaborate, despite a national Anti-Corruption and Anti-Money Laundering Strategy (ENCCLA) (Mohallem and Ragazzo, 2017). At the same time, recent progress in exposing and prosecuting corruption charges is remarkable and shows the strength of Brazil’s judiciary. (...) Whistleblowing procedures are presently hampered by concurrent competences and parallel systems for similar offences, which make it difficult to protect whistle-blowers effectively. Most OECD countries have dedicated whistle blower protection laws while Brazil does not (OECD, 2016c). (...) Transparency and accountability standards for PPPs and concessions must also be further developed in order to shield the mechanism against the kind of corruption cases that affected the infrastructure market in 2016. Otherwise the procurement process will become less competitive and it will be challenging to achieve value for money (Infraescope, 2017).</p> <p>Recommendations: Review public procurement laws. Use more centralised purchasing bodies. Strengthen whistle-blower and leniency procedures. Efforts to combat corruption should include a thorough assessment of public procurement laws, in particular how their many complexities and exemptions affect integrity and competition in the tendering process. Such a review should also cover the risk of collusion in public tenders, which is substantial. Reducing collusion will reduce the prices paid by public authorities and opportunities to corrupt the collusion process (OECD, 2010b; OECD, 2014). Rules pertaining to conflicts of interests, incompatibilities and impartiality in public procurement could be streamlined and strengthened. The mandatory use of centralised purchasing bodies, which are less prone to corruption, could be expanded, together with systematic training of procurement officials on effective tender design and effective detection of collusive practices (OECD, 2012b). (...) Continuing to modernise and simplify customs procedures is fundamental, as cross-country evidence signals that it improves the capacity to export and import high-quality inputs (Moise and Sorescu, 2012). It will also contribute to reduce the scope for corruption in the customs sector, especially if online procedures are introduced.</p>
Costa Rica	<p>“Fight against fiscal fraud” law approved in 2016, and effective from 2017 onwards [...] sets rules that entitle the tax administration to access general information filed by financial institutions about taxpayers, and to identify beneficiary owners. For this purpose, the government created a centralised registry of ultimate beneficiary owners of any legal entity within the country. This law also introduced a provision for foreign trusts administered by a resident trustee to keep ownership and identity information. All of this information is now accessible to the Costa Rican tax administration. (...) This is a major reform and in line with Costa Rica’s goal of not being classified as a blacklisted tax haven. It also introduced penalties to tax advisors engaging in tax evasion behaviours and created a special commission within the Ministry of Finance to investigate irregular behaviour of tax auditors and to investigate cases of corruption. To fight tax evasion, it requires all providers of services (e.g. doctors, attorneys and all individuals rendering services) to accept electronic payments. Finally, it requires a certificate of good standing to any entity/individual entering into a public contract. (...) Tax evasion and avoidance take multiple forms and affect all types of tax revenues in Costa Rica. It especially impacts on the sales tax: according to the OECD (2017b), sales tax revenue losses from non-compliance are estimated at about 30%, and income tax avoidance by liberal professions is especially high with 55% of the physical and legal persons having profitable professional service activities declaring zero income tax (OECD, 2017b). This form of evasion reduces the overall progressivity of the tax system as these professionals tend to earn high incomes. Brockmeyer and Marco (2016) have estimated that in 2014 a quarter of corporations and almost a fifth of self-employed professionals did not fill out their income taxes, while respectively 14.4% and a fifth did not file sales taxes. (...) Other proposals currently under discussion as part of the fiscal reform include tax refunds of up to 1% of VAT to companies using electronic invoices, tighter filing and disclosure requirements for companies and measures to fight corruption in the tax system. (...) Tax revenue is close to the Latin American average but substantially lower than in OECD countries (Figure 18, Panel A). However, the tax mix differs substantially from both of these regions. The fiscal system is overly reliant on social security contributions (SSCs) paid by the formal sector (Figure 18, Panel B). Contributions of income taxes and VAT are low because of tax evasion, a narrow tax base and low marginal tax rates (Figure 18, Panels C and D). For instance, PIT raises little revenue as the tax-free threshold is around twice the average wage in the private sector – much higher than in most OECD countries (see Chapter 1).</p> <p>Recommendations: [...] further reforms could strengthen tax administration and collection capacities as pointed out in OECD (2017b), including: Requiring inactive companies, often used as vehicles to hide assets both for tax (and non-tax) purposes, to register before the tax administration, file income tax returns and comply with the general tax system.</p>

	Integrating the tax and social security contribution administrations so that firms cannot understate their labour costs to the social security system and overstate them to the tax administration. Further modernising the tax administration through computerisation, risk-based compliance assessments, and by increasing the number and the training of staff employed in the tax administration. Strengthening tax auditing capacities. Establishing rules requiring all professionals to maintain accounting records and issue receipts, adopting a stricter definition of deductible expenses and focusing audits on riskier professions.
European Union	<p>Finally, some argue that cohesion policy, and especially a substantial inflow of funds, induces corruption and rent-seeking (Blankhart and Ehme, 2015). (...) The Commission VAT Action Plan, which includes various measures to improve the operation of the VAT system and to fight fraud, could provide the necessary momentum for the reform. Further VAT reform could contribute to fight fraud and reduce cross-border administrative burdens for businesses. Annual estimates of cross-border VAT fraud account for 50 billion a year. Tackling this cross-border VAT fraud would not only broaden member states' VAT base but indirectly also VAT receipts paid to the EU budget. (...) Fraud in the use of structural funds also occurs (EC, 2012a), and should be better addressed. In 2016, the European Court of Auditors estimated that 60% of the fraud affecting the EU budget was in the area of cohesion and fisheries spending, amounting to an estimated annual €391 million (ECA, 2017c). This is about 0.5% of total cohesion spending in 2016; however, given the relatively uncoordinated web of national and European checks and balances controlling cohesion policy it is hard to quantify how much fraud is truly going on. The European Parliament has backed the creation of a European Public Prosecutor Office to strengthen the fight against fraud in the use of EU funds. All member states should join the jurisdiction of the new European Public Prosecutor. (...) Moreover, OLAF does not have the resources to investigate all cases of suspected fraud nor the power to sanction; it can only issue reports and recommendations that the national authority and the national judicial system need to follow-up on. However, investigations of fraud by national authorities are often held back by lengthy judicial processes and meagre resources. Cases of fraud are often complex requiring specific knowledge and experience. There is also a low conviction rate of cases reported by OLAF: between 2009 and 2016 OLAF sent 541 judicial recommendations to member states and only 44% resulted in an indictment by the judicial authority (European Court of Auditors, 2017b). (...) To strengthen transnational coordination in the fight against fraud, a 2014 EU directive has clarified and enhanced administrative cooperation procedures and improved tools for controlling the lawful nature of postings and hiring businesses (Cremers, 2016). In addition, deadlines to respond to cross-border requests for information have been significantly shortened. Although welcome, these measures disregard the impact the likely surge in cross-border information requests and infringement procedures will have on the already understaffed national labour inspectorates (Walters, 2016). (...) Public procurement is an area where more could be done (Figure 1.9). The Commission and member states have developed an Action Plan on Public Procurement to improve the performance of both administrations and beneficiaries. The Commission has also developed public procurement toolkits, which have helped, but there is still scope for improvement in many countries.</p> <p>Recommendation: At the national level, strengthening national labour inspectorates would help. At the EU level, a recent proposal to set up a European Labour Authority to better coordinate the design and organisation of joint cross-border labour, social security and tax control and monitoring activities could boost the effectiveness of transnational efforts against labour fraud and undeclared work. (...) Audits of public procurement should be carried out as soon as possible to anticipate errors and reduce corrections, following successful example of some member states (COR, 2016). Better training for public officials in charge of public procurement and for beneficiaries could help to achieve meaningful change.</p>
Greece	<p>Most tax expenditures have been eliminated, but tax evasion results in a narrow tax base. For instance, in 2015 the VAT revenue ratio was one-third below the OECD average (Figure 17) because of low collections but also reduced VAT rates and exemptions. (...) In Greece, tax compliance methods have traditionally relied on punitive fines as well as audits and controls. Until recently, fines were set with no reference to the capacity to pay and often proved impossible to collect. Old fines significantly contribute to the large share of tax debt older than 12 months as in the past they were rarely written off even when impossible to collect. In 2017, they still accounted for more than 35% of total tax debt (down from 40% in previous years). As regards audits, in economies with a large share of cash transactions, such as Greece, they are less effective tools to uncover hidden income (Slemrod, 2007). In such environments access to third-party information is crucial to fight tax evasion. The widespread use of cash has abetted a large informal sector in Greece that, according to some estimates, could account for more than 25% of GDP (Bitzenis et al., 2016). (...) These innovative approaches to combat tax evasion are welcome and represent a change with the past. However, they should better target those industries most prone to tax evasion, such as professional services (Artavanis et al., 2017). The fight against corruption and bribery, as detailed below, is an integral part of the ongoing public administration reform. (...) In 2015, the government established the General Secretariat Against Corruption (GSAC) inside the Ministry of Justice, Transparency and Human Rights, replacing national co-ordinator against corruption under the Prime Minister and it revised the National Anti-Corruption Action Plan (NACAP). It is receiving technical assistance from the OECD to implement the NACAP (Box 1). Progress so far highlights the importance of a whole-of-government and society-wide approach to advancing anti-corruption efforts and the NACAP. Specific strategies to fight fraud and corruption should target high-risk policy fields and sectors, such as public procurement – including public works – local governments, state aid and subsidies, and health and social welfare services. Ongoing efforts should also focus on developing a robust corruption and fraud risk-management system across public organisations, within a legal framework that is robust and stable.</p> <p>Recommendation: Maintain the reform momentum focusing on implementation, enhancing public administration efficiency and continuing to fight corruption. (...) Reduce tax evasion by extending the use of risk analysis, targeted tax audits and strengthening incentives for voluntary tax compliance. Raising the share of non-cash payments, which is low</p>

	<p>by international standards, is essential to combat tax evasion. The use of point-of-sale terminals can be further extended by ensuring all the self-employed have an electronic cash register. The introduction of e-invoicing will also help stanch tax evasion. (...) Setting a clear division of roles and responsibilities among various governing bodies, as well as operational independence for managers and supervisors with appropriate checks and balances is key to building legitimacy, reducing the risk of fraud and mismanagement, and forming a competent investment organisation (Al-Hassan et al., 2013). [Hellenic Corporation of Assets and Participations] could be crucial to improving corporate governance standards in state-owned enterprises. (...) Ongoing efforts should also focus on developing a robust corruption and fraud risk-management system across public organisations, within a legal framework that is robust and stable.</p>
Indonesia	<p>Moreover, tax holidays (and special economic zones) create tax planning opportunities, distort competition and create the potential for policy capture and corruption (OECD, 2018c; 2012a; IADB, 2013). (...) But the consistently large gap between actual and predicted revenues points to the huge effort that is still required. The gap is likely to be linked to widespread informality (with 70% of employment and half of all dependent employees estimated to be informal), as well as tax evasion and narrow tax bases, which were all highlighted in the 2012 Survey (OECD, 2012). Increasing the tax ratio will likely involve raising voluntary compliance, through greater willingness and strengthened administration, along with reforms to broaden bases. [...] there is more work to do to streamline regulations, increase regulatory certainty and fight corruption. (...) Building a reputation for staff integrity can help raise taxpayer morale, which is particularly important following high-profile cases of corruption. (...) Complexity and uncertainty add to compliance costs and create opportunities for tax evasion. The tax regime is perceived as more contradictory and less consistently enforced than in most regional comparators but is perceived to have improved in recent years (Deloitte, 2017). (...) Fighting tax evasion by wealthy individuals remains a priority, particularly to reinforce the success of the tax amnesty. (...) Ambiguity in the national legislation together with the decentralised property registers also widens the scope for corruption in allocating property rights (Design, 2017). Allocating property rights appropriately and enforcing them are preconditions for maximising revenues from natural resources. (...) While the government cannot control market volatility, it can improve regulatory quality and fight corruption at all levels, which can lower risk premia (OECD, 2018b). (...) Agencies such as the national public procurement authority and the Corruption Eradication Commission (KPK) have crucial roles to play in reducing losses due to bribery and corruption. The previous Survey highlighted the importance of improving practices at subnational governments. Recent reforms at local governments such as increasing eprocurement and strengthening their internal budgeting and controls go in the right direction (Table 5). The OECD Recommendation on Public Integrity and OECD Principles for Integrity in Public Procurement could help guide further reforms. As recommended in the previous Survey, the authority and resources of the KPK should be strengthened. (...) Moreover, tax holidays (and special economic zones) create tax planning opportunities, distort competition and create the potential for policy capture and corruption (OECD, 2018c; 2012a; IADB, 2013). (...) For instance, executives cite corruption and inefficient government bureaucracy as the most problematic factors for business in Indonesia, well ahead of tax rates (7th) or tax regulations (9th) (World Economic Forum, 2017). (...) The Corruption Eradication Commission (KPK) (2015) argues that forest royalty rates are too low to capture economic rents and “provide implicit incentives for unsustainable forest management”. These should be raised. (...) Stronger law enforcement and clearer property rights are also needed to fight corruption. (...) Ambiguity in the national legislation together with the decentralised property registers also widens the scope for corruption in allocating property rights (Design, 2017).</p> <p>Recommendations: Continuing to invest in service centres for taxpayers, including staff training, and enhancing taxpayer rights through a stronger ombudsman would help to create a culture of co-operative compliance (Darussalam, 2017). (...) Given the low rate of registration, enforcement efforts should be complemented by developing a stronger culture of voluntary compliance built on fairness and trust. (...) The [presumptive turnover tax] threshold should be lowered so that the scheme better targets very small firms, which would also contain its cost. Estimated costs of the scheme should be included in forthcoming tax expenditure reports. The time limit will disadvantage firms that do not have the capacity to comply with the standard tax system. Micro enterprises could be allowed to remain on the simplified scheme. Firm behaviour should be monitored, particularly to ensure that firms are not being “reborn” to avoid joining the regular corporate income tax regime or bunching just below the turnover threshold.</p>
Israel	<p>Fighting tax evasion can also bring additional revenues without increasing tax rates. Although difficult to measure, the share of the country’s shadow economy is estimated to be about twice as large as in the United States, the United Kingdom or Canada, even if lower than in some other countries (Gruber, 2014; Feige et al., 2012; Gyomai and Van de Ven, 2014). Tax evasion on rental incomes above NIS 5 000 seems particularly high, because the tax authority lacks the necessary information to collect these revenues (Levi-Weinrib, 2017; MoF, 2017b). The introduction of compulsory income tax reporting could reduce this evasion, as it has done in countries requiring reporting (Ben-David and Kimhi, 2017). (...) In other countries, problems engendered by poor management, or even corruption, in the implementation of major infrastructure projects are not uncommon (Megiddo, 2016; Bob, 2015). It is essential to introduce mechanisms to ensure the continuous transparency of project management if such difficulties are to be prevented.</p> <p>Recommendation:-</p>
Korea	<p>The legacy of support and protection provided by past authoritarian governments has led to questions about the legitimacy of the business groups (Jwa, 2002). Much of the public criticism stems from openly egregious practices, such</p>

	<p>as tax avoidance and the use of presidential pardons to free executives convicted of corruption. The concentration of power and wealth has also led to corruption based on the long-standing ties between the business groups and political leaders, such as the scandal that played a role in the impeachment of Korea's previous president. (...) The concentration of power and wealth in the business groups has led to corruption based on their links to political leaders, resulting in corruption (Eichengreen et al., 2015). Korea's government business co-operation has also generated a culture of rent-seeking that is difficult to overcome (Jwa, 2002). Many politicians have relied on political and financial support from the business groups. Korea's democratisation in 1987 increased the power of the big business groups by introducing competitive elections, without limits on firms' financial contributions to politicians. When politicians tried to control the business groups, they became powerful adversaries. As the conglomerates grew richer, their influence expanded to the judicial system and the media. Newspapers are financially supported by advertising revenue from the business groups, making journalists hesitant to investigate or criticise corporate malfeasance. Meanwhile, the groups have ingratiated themselves with the judiciary by dangling future employment opportunities in front of judges and lawyers (Financial Times, 17 September 2017). The new government pledged that the "collusive link between politics and business" will completely disappear and promised to end the use of presidential pardons for corrupt executives (Korea.net, 2017). (...) Laws requiring financial disclosures by firms should be reinforced to prevent accounting fraud. As part of the government's accounting reform efforts, the Act on External Audit of Stock Companies was amended in 2017. Under the Act, companies and accounting firms are subject to tougher regulations, and a penalty (with no upper limit) on accounting fraud has been introduced. Moreover, the Securities and Futures Commission now has authority to designate an external auditor of all listed companies in principle. In addition, audit committees should be strengthened. Such committees are mandatory for firms with more than KRW 2 trillion in assets and two-thirds of the committee members should be outside directors. The Act on External Audit of Stock Companies grants audit committees the power to designate an auditor, uncover accounting fraud and take countermeasures as appropriate. (...) Crowdfunding can provide new opportunities for SMEs that have not been able to obtain financing through traditional channels. Given that crowdfunding relies on the general public and takes place via the Internet, it is relatively cheap and fast, but has a high risk of fraud.</p> <p>Recommendations: Follow through on the government's pledge to not grant presidential pardons to business executives convicted of corruption. (...) Improve financial disclosures by corporations and prevent accounting fraud by increasing disclosure requirements and strengthening audit committees.</p>
Lithuania	<p>Tackling corruption remains a crucial area for promoting inclusive health in Lithuania. According to a number of studies 35% to 50% of Lithuanians have paid a bribe in exchange for health care services, mainly to "jump the line" for obtaining hospital care (Murauskiene, 2013). The median value of an illicit payment seems to be substantial, estimated to average the annual minimum wage per year, thereby limiting access for people with low incomes, especially the elderly (Stepurko et al., 2015). Measures already taken include an information campaign to change behaviour of medical personnel; making the declaration of additional income mandatory for medical specialists; and the establishment of a hot line to report informal payments (OECD, forthcoming b). According to the Ministry of Finance, all transactions over EUR 3 000 will no longer be allowed to be carried out in cash as of 2018, which is likely to reduce informal payments and the corrosive impact of bribing. Finally, higher wages for doctors and nurses should also reduce bribing.</p> <p>Recommendation:</p>
Poland	<p>The government plans to finance higher spending mainly by reducing tax fraud. Indeed, efforts to improve VAT compliance seem to have been very successful so far, as the losses due to tax evasion may have been reduced by about 25% in 2017. While they are still substantial (at about 2% of GDP (PwC, 2017)), this progress is impressive. A coherent policy package has helped achieve this (Box 4).</p> <p>Recommendation: [Finally,] in line with Poland's plan to increase tax compliance and fight corruption, joining the newly set-up European Public Prosecutor's Office, as most other EU countries have done, could help combat cross-border tax fraud and the misuse of EU structural funds.</p>
Tunisia	<p>Efforts to combat tax fraud and evasion are commendable. They are reducing tax inequalities. At the national level, the government has made efforts to gradually abolish the flat regime for artisans and professionals, to create a tax police as of the autumn of 2017, and has prepared a strategy for combating tax evasion and fraud of social security contributions. Efforts to expand the tax base, in particular for VAT by eliminating various exceptions, are also moves in the right direction. (...) According to a recent study, more than half of registered taxpayers do not file tax returns, and among those who do, under-reporting is blatant (Haddar and Bouzaïene, 2017). Closer cooperation between the taxation and the control directorates should improve the cross-checking of information and boost the recovery rate, which is currently low. Creation of the Large Businesses Directorate is a move in this direction. Systematic and random controls would be useful. As well, a tax information, control and enforcement campaign should be launched among licensed professionals. (...) Restrictions on business entry, investment and activity create situations of rent for local businesses and discourage companies from improving the quality of the services they supply. They also promote corruption, which ranks among the top three factors that are most detrimental to the country's business climate (WEF, 2017a). (...) The fight against corruption and good governance are key government objectives and enshrined in the Carthage Pact. Several measures have been taken. The national anti-corruption authority, which is provisional, and the legal and financial have been allocated human and financial resources for their operations. In 2017, 94 corruption cases were referred to the courts. A new law protecting whistle-blowers was adopted. Training and awareness raising programmes for civil servants were organised. A draft law against unlawful enrichment was submitted to the Assembly of the Representatives of the People. There is now an urgent need to put in place the independent constitutional body responsible for good governance and</p>

	fighting corruption, and to reform the audit and inspection system in the public sector (OECD 2014). Together with its anti-corruption initiatives, Tunisia joined the Open Government Partnership (OGP), a platform designed to encourage citizen's participation, transparency, integrity and accountability. These principles need to be further strengthened (OECD, 2015d).
	Recommendation: Restore tax justice by facilitating the cross-check of information and increasing tax inspections in order to better combat tax evasion and fraud. The fight against tax fraud and evasion should be stepped up nationwide in order to increase tax fairness.
Turkey	<p>Confidence in public governance and the rule of law has weakened, undermining domestic and international sentiment. (...) In contrast, the share of taxes on corporate income, personal income and property is low (OECD, 2017[24]). This notably reflects extensive tax evasion, calling for a more transparent and even-handed tax structure. The ongoing extension of digitised tax administration provides a basis for future reform initiatives in this area (Digitalisation in Taxation, 2018[25]) (...). [In a gravity model of explaining bilateral FDI flows,] control of corruption, the effectiveness of government and the rule of law exhibit the highest FDI inflow elasticities and the related coefficients are highly significant. This is consistent with the recent OECD research finding that a percentage point increase in the World Bank corruption perception index in the host country reduces FDI from the countries having ratified the OECD Anti-Bribery Convention by between 4 and 9% (OECD, 2017[14]).</p> <p>Recommendation: Strengthen the rule of law, judiciary independence and step up the fight against corruption.</p>
2017	
Argentina	<p>Success in fighting corruption, however, will depend greatly on Argentina's ability to improve its enforcement of criminal anti-corruption laws against both corrupt officials and those who corrupt them. In this respect, the OECD Working Group on Bribery recently expressed concerns about the lack of corporate liability for corruption; under-resourced investigative judges and prosecutors; significant delays in investigations and prosecutions; and the lack of enforcement proactivity. In response, legal changes are underway. Argentina must now ensure that the Corporate Liability Bill that was introduced into Congress in 2016 addresses these as well as other major deficiencies and then promptly enact the Bill. (...) Such efforts should be complemented with the introduction of an effective and stronger whistle-blower protection scheme, as most corruption cases are unveiled through whistle-blowers (OECD, 2016d). (...) One-stop shop services, including online, have also proved useful in countries with high incidence of informality, such as Brazil and Mexico. By facilitating more flexible and simple registration procedures, especially online, they reduce the cost of going formal, particularly for micro and small firms and can reduce opportunities for corruption. (...) One-stop shop services, including online, have also proved useful in countries with high incidence of informality, such as Brazil and Mexico. By facilitating more flexible and simple registration procedures, especially online, they reduce the cost of going formal, particularly for micro and small firms and can reduce opportunities for corruption. (...) The rule of law has been weakened in the past and corruption has affected the investment climate. (...) While transfers can go a long way in alleviating poverty, improvements in the provision of such public services as education and health, which have suffered from inefficient and sometimes corrupt governance in the past, will play a key role in improving income opportunities for poor people and those at risk of falling into poverty. In addition, structural and macroeconomic policies should be designed in ways that improve employment and job quality. (...) Recent measures like the revamp of the anti-corruption agency are steps in the right direction and it will take time before they are reflected in opinion surveys. But there is significant scope to improve governance, for example through strengthening integrity rules and procedures in the three branches of power. Argentina could also conduct corruption risk mapping exercises and design tailored mitigation strategies in key agencies, such as those dealing with customs, tax and public procurement. Improvements in public procurement, including electronic procurement and reverse auctions, can reduce the risk of bid rigging or collusive tendering and raise spending efficiency. Separating the preventive and investigative powers of the recently revamped anti-corruption agency would be one way to enhance its effectiveness. At the same time, the capacities and de facto independence of the judiciary bodies responsible for the investigation of corruption should be strengthened, including by providing more resources to investigative judges and prosecutors, speeding up investigations and prosecutions and encouraging a more proactive enforcement. (...) Moreover, Argentina has adhered to the OECD Council Recommendation on Public Integrity in 2017 and a comprehensive integrity review has been initiated.</p> <p>Recommendation: Strengthen the capacities and independence of bodies investigating corruption, reorganise and strengthen courts and enact the corporate liability bill to prosecute bribery.</p>
Belgium	<p>A "redesign" of public administration aimed at increasing its efficiency was decided in October 2015. The fight against social fraud has been strengthened.</p> <p>Recommendation: Raise penalties for individuals committing fraud.</p>
China	<p>External audit is one area where CAPCO is pushing for improved corporate governance. Lack of audit independence, a shortage of qualified auditors and widespread corruption (Zhou, 2014) hinder the effectiveness of the audit market. To overcome the lack of qualified auditors and improve audit quality, most listed firms use foreign auditing company services. (...) An increased number of inspections by representatives of the central government and greater efforts to ensure that citizens are able to easily report corruption or unfair practices in the administration of dibao are paramount. (...) Top executives have been found to embezzle State assets. Raise penalties for individuals committing fraud. (...) Evidence suggests that open and efficient markets for services are fundamental to underpin participation in global value chains and hence to facilitate the diffusion of new technologies (OECD, 2015d). Besides, intensified anti-corruption efforts will likely</p>

	<p>contribute to a better allocation of capital and a more efficient use of public funds. (...) Fortifying whistle-blower protection may encourage insiders to report unlawful conduct, including State-asset embezzlement. Moreover they would need to report to an independent investigator body to make such protection meaningful as supervisors and regulators may be subject to capture. In OECD countries independence of investigators is common. People noticing corruption in Australia, for instance, can turn to the Independent Commission Against Corruption.</p> <p>Recommendation:</p>
Spain	<p>At the same time, it is important to address potential problems of abuse of more lenient personal insolvency regimes by fraudulent entrepreneurs and moral hazard. (...) There is also scope to improve VAT revenues via better administration and enforcement. Early detection of organised VAT fraud was reinforced in 2015. A new electronic VAT filing system for invoices is foreseen for 2017. The government should continue these efforts. Addressing non-compliance will help to broaden the VAT base and improve public acceptance and trust in the tax system.</p> <p>Recommendation:</p>
France	<p>Further use of available health data and development of e-records could improve service quality and cut administrative costs. Increased use of performance reporting would incentivise providers to concentrate on aspects of quality that give rise to genuine improvements in patient outcomes. The available administrative data could be better used for additional ex post medico-economic evaluations, notably by independent institutions and researchers, or to improve the detection of abuses and fraud.</p> <p>Recommendation:</p>
Italy	<p>To this end, the Ministry of Transport and Infrastructure is using a set of guidelines to evaluate public investment projects based on social and economic considerations. This review, if fully completed, along with the new public procurement code and the work of the anti-corruption commission (Table 8) hold the promise of improving the effectiveness of infrastructure spending. The government should make sure to select infrastructure projects based on objective and transparent criteria, including cost-benefit analyses, and promote their use across regions. (...) Italy's taxation system suffers from high tax evasion, numerous exemptions that reduce revenue, and excessive complexity. Indeed, according to the World Bank's "Paying Taxes" indicator (which measures the time or cost to pay taxes), Italy ranks 126 of 190 countries, one of the lowest among OECD countries. The tax-reform enabling law, which was intended to introduce broad changes, has been only partially implemented (Table 5). In 2016, the maximum limit for cash payments was increased from EUR 1 000 to EUR 3 000. On the positive side, the government has introduced measures to review the various tax breaks and exemptions in the yearly budget and to accelerate the resolution of tax litigation. Tax breaks will also be subject every five years to a thorough evaluation assessment of their effectiveness and cost in terms of lost revenue. In 2015, measures to fight tax evasion delivered about EUR 15 billion in additional tax receipts (MEF, 2016). The amount of outstanding tax arrears is exceptionally large: as of September 2015, total tax arrears exceeded EUR 750 billion, broadly equivalent to the annual general government tax revenue, far higher than all other OECD and G20 economies (OECD, 2016c; OECD, 2015b). Ineffective tax-arrear recovery procedures exacerbate the problem of low tax compliance. For instance, VAT revenues fall well short of what they could be (Figure 13, Panel A). Tax compliance has traditionally relied on audits and control, resulting often in uncollectable assessments. Also, the recovery of tax arrears is undermined by the lack of a systematic process to write off tax arrears that are no longer due for payment, estimated at about 20% of the total tax debt (OECD, 2015d; OECD, 2016c).</p> <p>Italy tax administration has ample scope to improve human resources management and use more extensively information and technology (IT) tools. (...) ANAC has gained prestige and powers and is well-funded. In January 2016, the Chamber of Deputies approved a law protecting whistle-blowers for public and private-sector employees reporting suspicions of corruption and other illegal cases in their place of work. The new Public Procurement Code went into effect in April 2016, aiming at enhancing efficiency and promoting transparency. (...) To date more than 90% of structuring procedures started as composition with creditors eventually lead to liquidation either because the composition with creditors is annulled – due to frauds – or creditors do not approve the debtor's plan or the tribunal does not ratify it. (...) The competition law the government presented to parliament in 2015, which is still being discussed, goes in the right direction. The law deals with different services sectors such as: insurance to reduce frauds, increase transparency and enhance offer comparability; telecommunications, to make it easier to switch provider; <i>Poste Italiane</i>, to end its monopoly on judicial and administrative notifications; electricity and gas sectors, to remove remaining price regulations.</p> <p>Recommendation:</p>
Japan	<p>Yubari, once a major coal-mining town in Hokkaido, declared bankruptcy in 2006 when its debt was large enough to have a nationwide impact. (...) Yubari's fiscal problems were provoked by several factors: (...) The size of the problem was hidden by accounting fraud. (...) Introducing multiple VAT rates has additional drawbacks (2013 OECD Economic Survey of Japan). First, it would entail higher administrative and compliance costs, especially for SMEs. Second, it would provide opportunities for fraud through the misclassification of items. Third, it would reduce the neutrality of the VAT, thus distorting consumption decisions and decreasing welfare. (...) Raising the tax rate on interest income, dividends and capital gains from 20% to 25% would increase tax revenue (Morinobu, 2016).</p> <p>Recommendation: Capital income should continue to be taxed separately to limit tax evasion.</p> <p>Improve the skills of law enforcement officials and insolvency administrators to deal with fraud. (...) An evaluation of the</p>

Lithuania	<p>implementation of the Conflict of Interest Prevention Law is to be conducted in 2017. A working group has been set up by parliament. The Corruption Prevention and Combating Bureau (KNAB) provided training to government officials on the prevention of conflict of interest, ethics and internal control in 2016. The independence of the Corruption Prevention and Combating Bureau (KNAB) was strengthened in 2016 by limiting the Prime Minister's rights to control KNAB's decisions. (...) To provide essential social services and lower the tax burden on low income earners the government is aiming to raise tax revenue further. It is planning to make better use of ICT for tax law enforcement which is welcome. It plans to require electronic record keeping cash registers. The government also plans to combat tax evasion in electronic commerce and to enable electronic exchange of information between credit institutions and the tax authorities. (...) The budget of the KNAB continues to be proposed by the Council of Ministers and is approved by parliament annually, weakening independence. Full independence is important so KNAB is perceived to be able to investigate corruption within these institutions. As is the case for competition authorities, budgetary independence should be reinforced by mechanisms reducing government discretion. (...) Reducing tax evasion and fostering long-term lease contracts could also increase reliability of contracts and make rented housing more attractive for tenants (Hussar, 2016). (...) The government also plans to combat tax evasion in electronic commerce and to enable electronic exchange of information between credit institutions and the tax authorities. This could be extended by requiring mandatory electronic invoicing and automated reporting in business-to-business transactions.</p>
	Recommendation:
Luxembourg	<p>However, immigrants from outside the EU still often face considerable difficulties to obtain recognition of studies and qualifications. The authorities should take steps to strike a balance between their legitimate concerns of preventing abuse and fraud, and the risk of not recognising legitimate qualifications.</p>
	Recommendation:
Mexico	<p>Tax evasion is relatively high in Mexico (Table 10). (...) The integration of income and social security administrations could reduce evasion as firms tend to understate labour cost to the social security system (IMSS) and overstate it to the tax administration. (...) Mexico is perceived as a country that faces significant corruption problems (Figure 21, Panel A). The long delayed anti-corruption system was approved by Congress last year. The new system involves six government entities with the strong involvement of citizen committees, making the system quite complex, although less vulnerable to capture (OECD, 2017). Concerns remain about how the plan will be implemented at the local level, since states must now pass their own legislation and establish institutions that function effectively and without interference. Given the limited administrative capacity of many state and local governments, strong support and monitoring from the national level maybe needed. This could involve providing a mechanism to delegate some roles to the federal anti-corruption system. (...) OECD analysis supports the idea that a wide range of policies can have an impact on informality, including boosting labour skills, tackling corruption, increasing foreign investment, enhancing tax enforcement and reducing entry barriers (Dougherty and Escobar, 2013; OECD, 2013b, 2015).</p>
	Recommendation:
Portugal	<p>In 2008, Banco Privado Português (BPP), a small bank with less than 1% of the assets of the Portuguese banking system, received a EUR 450 million state guarantee. Following fraud allegations, the Bank of Portugal ordered the liquidation of BPP and withdrew its banking licence in April 2010. (...) Overlapping competencies and a patchwork of rules defined across different laws and precedence rulings by courts create ambiguities and contradictions, leaving room for discretionary decisions, including by local authorities. A concerted effort to clean up and consolidate the fragmented set of rules would reduce complexity and the scope for corruption. Regarding license requirements, these efforts should be focused on integrating all licenses and permits needed to start a business into one single procedure, but co-operation among all public entities involved is crucial for that. (...) The net benefit of investment projects for local development should be analysed on the basis of transparent and objective criteria, limiting the discretion of local authorities, which will also help to prevent corruption. (...)</p>
	Recommendation:
Slovak Republic	<p>Tax evasion also remains substantial, undermining revenues and the system's fairness. The shadow or non-observed economy estimated in the national accounts seems to be relatively large, at around 15% of GDP, as in the other central or Eastern-European countries (Gyomai and Van de Ven, 2014), and the under-reporting of incomes seems widespread (Machica et al., 2014). Measures adopted by the authorities have considerably improved VAT revenues since 2012, but collection remains much less efficient than in other EU countries (Figure 13). The tax agency's staffing level relative to the total labour force is high, partly reflecting low tax e-filing (OECD, 2015a). To address these deficiencies the government adopted further anti-fraud measures in 2015 (Table 5) and has recently launched a plan to enhance the IT infrastructure of the revenue authority. To make tax payments easier and rely more heavily on voluntary compliance, the government is working to facilitate filing electronically. Additional Action plan to fight tax evasion was adopted in 2017 with measures including better electronic communication, more efficient auditing and online monitoring of transactions. Further helpful measures would include: linking the IT systems of the tax administration with those of other institutions (the banks, for example); merging the tax/ customs office with the social security agency; further strengthening the tax administration's analytical capacity (EC, 2016a); and improve enforcement of sanctions for tax evasion. (...) Reducing corruption is essential. In 2015 nearly 60% of entrepreneurs perceived corruption as a problem for doing business in the country, including for licensing and public procurement (Eurobarometer, 2015). The near-impunity of and often light sanctions meted out to those guilty of these practices, due to the deficiencies of the judicial system, encourage their persistence</p>

	<p>(EC, 2016a). The judicial system could be improved by strengthening its integrity and independence which are perceived as insufficient, and speeding up its procedures, which are long and costly (Figure 18) (EC, 2017; Palumbo et al., 2013). In the recent past the number of indictments for corruption-related offences has been low, and while most lead to convictions, the proportion of suspended sentences is high (EC, 2016a). Moreover, high-profile cases that reach the courts have remained rare (EC, 2016a). A more independent and transparent judicial system with adequate financial and technical means and dissuasive penalties. (...) Slovaks perceive their health-care system as more corrupt than their counterparts in other EU countries and more corrupt than other areas of the administration (Figure 2.8). The main reason for this perception is the flawed management of public procurement, which is a serious problem in hospital purchasing (EC, 2013). (...) It is also important to monitor implementation closely, prevent hospitals cutting costs too fast to the detriment of the quality of care and carry out audits to ensure that services are being correctly coded, with clear penalties as a deterrent against fraud (Shah et al., 2015). The authorities should also centralise hospital procurement as much as possible at the level of the Ministry of Health in order to reduce its cost. Alternatively, they could consider creating an independent agency responsible for monitoring hospital procurement management against infractions would enhance public trust in the state and foster solid and inclusive growth (IMF, 2016b; Rigobon and Rodrik, 2005).</p> <p>Recommendation:</p>
Slovenia	<p>Vulnerabilities to bid rigging and corruption in public procurement processes remain, however. Contracting authorities in line departments outside the PPD do not receive specialised training in designing bids or detecting potential bid rigging – training that is in place in some other OECD jurisdictions and is part of the OECD's recommendations on fighting bid rigging in public procurement (Box 2.1). The PPD, in co-operation with the competition authorities, should provide procurement officer training for detecting bid rigging and designing tenders to minimise these risks, based on OECD Guidelines</p> <p>Recommendation:</p>
Sweden	<p>The lack of rental housing has pushed some tenants towards the black market, where they are vulnerable to abuse. Foregoing a tenant right in an attractive location at a price significantly below market has a sizeable cost. This reduces mobility, but also feeds the black market, which consists of illegal trade in leases, unauthorised subletting with illegal additional rent charges and pure fraud. A lack of data makes it difficult to estimate the size of the black market precisely, but the illegal trade in leases alone was estimated at SEK 1.2bn in the Stockholm region in 2006 (Housing Crisis Committee, 2014).</p> <p>Recommendation:</p>
South Africa	<p>Widespread unmet needs in education, health and infrastructure are also feeding citizens' frustration, as well as perceptions of corruption. (...) The Office of the Chief Procurement Officer has made strides in modernising and centralising government procurement practices (National Treasury, 2017a). Efforts to improve supply chain management and reduce the cost of procuring goods, services and construction works (12% of GDP in 2014) should continue. Ensuring that public procurement procedures and spending rules are fully respected, including in state-owned enterprises, could provide spending savings and would reduce risks of mismanagement of public finances and corruption. (...) Moreover, the incidence of custom corruption remains high (Shayanowako, 2015). Introducing a computerised one-stop border control point between SADC members can improve co-ordination between countries and help fight corruption and unnecessary red tape. (...) The competition policy tends to favour incumbents, in particular big ones, in exchange for their B-BBEE programmes (Roberts, 2016). The existing structure of ownership and control excludes the majority and feeds the view that the only way to gain access to wealth is through corruption and rent-seeking (Roberts, 2016).</p> <p>Recommendation: -</p>

Note: The Tables present result of text mining search for the following words: *corruption*, *evasion*, *fraud* and *bribe* in *Economic Surveys* published over the period 2017-2019. All recommendations relating to integrity and anti-corruption policies from the Key Recommendations are italicised. Other discussion in the Survey that appears to make a recommendation in this area, but is not featured as Key Recommendations are included, but not italicised.