



EUROPEAN COMMISSION

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Speech at the Public Hearing "Public Procurement: costs we pay for corruption"

*Check Against Delivery
Seul le texte prononcé fait foi
Es gilt das gesprochene Wort*

Public Hearing "Public Procurement: costs we pay for corruption",
European Parliament/Brussels, 1 October 2013

Honourable Members, dear speakers, Ladies and Gentlemen,

I would like to start by thanking Ms Macovei for organizing this event on corruption in public procurement, and for bringing together so many experts to give their different perspectives on this problem.

And there is no doubt that we are talking about a serious problem.

Every public project affected by corruption is a project that does not reach its full objectives. It is an affront to taxpayers' money – whether funded from national budgets or EU funds.

Last week I was here in Parliament to present the Commission's 2012 Annual Report on the Protection of the EU's financial interests and the fight against fraud.

This annual report allows us to better understand the level of fraud against the EU budget and the situation in each Member State. And on this basis, we can better target our anti-fraud actions.

Today's conference is also about better understanding a phenomenon which threatens the EU's financial interests.

This new study analyses corruption in public procurement and, in particular, what it costs the taxpayer.

Helpfully, it also looks at how these costs can be reduced.

The study

Up to now, a problem we have had is in quantifying corruption. Like with any of these shadow crimes, we are short of tools to measure it concretely and properly assess the harm done.

This is where the study we are looking at today comes in. The approach of focussing on the direct costs of corruption, based on a newly developed methodology, is an innovative and interesting one.

The study now puts concrete figures to what we have long recognised as a threat to public finances.

And it confirms that once a procurement project is affected by corruption, the public losses increase substantially.

It combines these findings with estimations on the overall probability of fraud and the overall costs of corruption in public procurement of specific sectors and product groups.

I welcome that such an in-depth analysis has been carried out, and I thank the European Parliament for their support on this pilot project.

It is clear that we have to look at the findings of the study carefully.

Let me just comment on one central figure.

The overall assessment of the costs of corruption is put at around 3-4% of the total procurement budget in the studied sectors and selected Member States.

This seems, at first sight, much higher than the estimate published by the Commission two years ago in its Communication on 'Fighting Corruption in the EU'. At the time, our estimate was 1%.

But we have to take into account how the study has been cut out. It has focussed on 8 Member States and 5 specific sectors of the economy.

Those are sectors where EU funds are spent - that is clear. But the study looks wider than this. It covers all funds, including national, regional and local budgets. And it looks exclusively at the public procurement sector, which might be among those most exposed to risks of corruption.

The fraud rate identified in the study is, of course, also very difficult to match with the anti-fraud reporting of Member States in the context of the PIF report.

For 2012, Member States only have reported to us 9 cases of suspected or established corruption.

But we have to bear in mind that Member States only report on actual cases they have detected. This study, by contrast, works on wider estimations based on its specific methodology.

For the Commission, its findings are a useful counterpart, and we are committed to looking further into why so few cases are reported by Member States.

What the study certainly illustrates is that much fraud and corruption goes under the radar of the public controllers.

Therefore, we should further intensify our efforts to improve the effectiveness of our prevention and detection tools against this phenomenon.

Anti-corruption reporting

The fight against corruption is central to the Commission's work to better protect the EU budget.

I already mentioned the 2011 Commission Communication, in which we presented the overall EU anti-corruption policy for the next years.

My colleague Cecilia Malmström is on the lead on this within the Commission.

Again, we are convinced that a better understanding the problem means a better understanding of how to tackle it.

Therefore, in 2011, we set up a mechanism for the periodic assessment of Member States' efforts in the fight against corruption.

Meanwhile, we are currently finalising the first of a number of EU Anti-Corruption Reports. And the focus of this first report will be on the issue of corruption in public procurement. The findings of today's study will certainly feed into this report.

I note that the researchers of this report - like others before them - had difficulties in their preparatory work in accessing relevant information on public procurement. This is among the biggest obstacles to the prevention and detection of corruption.

We will now evaluate those experiences and take the results into account when developing our own concrete recommendations in the Anti-Corruption Report.

The new Anti-Corruption Reporting format will also deal with selected issues in specific Member States, and thus address the concerned Member States directly.

As such, we hope, it will make our recommendations more targeted and more effective.

Other Commission initiatives

What else is the Commission doing to better fight corruption and fraud against the EU budget?

Well, first we have our Anti-Fraud Strategy, which we presented in 2011 and are currently implementing.

Through this Strategy, we are building up more structured cooperation and coordination of all those responsible for protecting EU funds.

In negotiations of international and administrative cooperation agreements, we are ensuring that anti-fraud clauses are included.

And, as fraud is specific to sectors, a "one size fits all" approach won't work. We are therefore working on sector specific anti-fraud strategies too.

In fact, as part of the new Strategy against Fraud, the Commission made sure that our new proposals for public procurement rules also contain anti-fraud provisions.

I believe you will hear more about the review of the public procurement directives later today.

Besides this Anti-Fraud Strategy I would like to mention two important legislative initiatives the Commission has put forward in the last year.

One is the proposal for a Directive on the protection of the Union's financial interests by means of criminal law which I presented last year together with my colleague Viviane Reding.

The main aim is to make sure that the approach to punishing crimes involving the EU budget is harmonised across the EU.

This also includes a better definition of offences affecting the EU's financial interests. As such, we can ensure that we cover a sufficiently broad range of criminal behaviour.

Corruption is one of the offences defined and covered in this proposed Directive.

Closely linked to this initiative is the proposal for a European Public Prosecutors Office, which we presented this summer.

We have been ambitious here and aim to create a new, independent body whose sole mission is to investigate and prosecute fraud in EU funds across the Union.

This will help overcome the differing approaches to fraud across Member States and make combatting it much more effective.

The criminal offences the EPPO will be competent for are defined in the PIF Directive. The EPPO will therefore also investigate and prosecute corruption across the EU.

Together with the EPPO proposal we put forward a Communication on how to further improve the governance of OLAF. We are building here on the agreed reform of the Office which – as you all know I am sure – enters into force just today.

In the new Communication we have outlined some further ideas how to develop procedural safeguards in OLAF's work.

I was pleased to hear last week in the CONT Committee that this has caught Members' attention, and am looking forward to in-depth discussions with you on this.

Let me conclude by saying that, while the measures we are taking to fight fraud and corruption move in the right direction, much remains to be done.

Today's study is an important piece of the puzzle which will allow us as complete a picture as possible of how fraud and corruption are eating into important public funds.

We need to be well-informed and design our actions on that basis.

But even more importantly: we need to be united in this fight against fraud and corruption – the Commission, the European Parliament, and perhaps most crucially, the Member States.

It is only with a determined, forceful and united approach that we can create an environment in the EU that deters and thwarts those seeking to de-fraud and corrupt our funds.

I thank you for your attention and wish you fruitful discussions today on this important topic.