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The costs of corruption across the European Union

Corruption and abuse of power are not new phenomena in Europe, but the lack of ambition from the EU institutions to address corruption is now arguably emboldening some governments, propped up in some cases by EU funds, to increase their attacks on the rule of law or to consolidate their autocratic regimes.

The headlines across Europe are increasingly full of corruption scandals - sometimes involving EU funds - embroiling politicians from across the political spectrum. Recent high-profile corruption cases have toppled the centre-right Rajoy government in Spain or triggered votes of non-confidence in Babiš' liberal-led Czech Republic.

The latest estimates regarding the cost of corruption across the EU put the loss to GDP as a result somewhere between €179 billion and €950 billion each year.

However, corruption and its costs are often hard to grasp for the ordinary citizen, who still suffers the consequences of a lack of investment in essential public services, an unfair business environment and an abusive and reckless elite.

Using the most recent data and studies available, this document compares the costs of corruption to public investment in education, healthcare, childcare and housing, elderly care, or policing and fire services. The aim is to raise public awareness about the cost of corruption across the EU by giving tangible examples of what this could mean for the average person, and to call for a substantial increase in the fight against corruption by the European Union institutions.

We have estimated that the hit to GDP, as a result of corruption across the EU, is around **€ 904 billion every single year** (1).

This includes the indirect effects of corruption, such as loss in tax revenues and decreased foreign investment.

To put that figure into a global context: it could end world hunger (annual cost: €229 billion); provide basic education to all children in 46 low and middle-income countries (annual cost: €22 billion), help eliminate malaria (annual cost: €4 billion); provide universal safe water and sanitation (annual cost: €129 billion); expand healthcare to gradually provide universal care to all in low and middle-income countries (annual cost: €115 billion); make the necessary yearly investment required to give everyone access to electricity by 2030 (annual cost: €45 billion); and then there would still be around €360 billion left.

At a national level, the damage done by corruption to the GDP of EU Member States ranges from 15% in Romania (€38.6 billion) to 0.76% in the Netherlands (still adding up however to over €4.4 billion). Italy breaks the record in absolute terms, losing €236.8 billion each year to corruption. France comes second, losing €120.2 billion each year to corruption, whilst Germany takes a hit to GDP of over €104 billion every single year.

At a more personal level, if we imagine that this money could be evenly distributed among the more than 510 million people living in Europe in 2016, each person would get on average €1772 per year.

In some countries the figures are much higher, meaning that, if the money lost to corruption in Cyprus and in the Czech Republic were distributed evenly, each person could receive 2500€ every year, a figure which rises up to €3,168 per person in Greece or even €3,903 in Italy. Even in countries with relatively low levels of corruption such as Finland or Denmark, each citizen could annually receive €727 or €782 respectively.

In half of EU Member States (2) more than 80% of people think that corruption is widespread in their country. However, most Europeans who witness corruption do not report it, with only around a fifth of these people taking the decision to alert the authorities.

Across Europe, people do not believe that government efforts to combat corruption are effective, particularly when it comes to tackling high-level corruption cases. The only institutions that the majority (60%) of Europeans trust when it comes to reporting corruption are the police, and the EU institutions lag far behind, achieving a paltry 4% trust rate.

It is therefore urgent to take the fight against corruption all across Europe seriously. There is not a single country in which European citizens do not suffer the perverse effects of a corrupt political and economic elite. The fight against corruption requires action on many fronts, ranging from putting in place preventative measures to strong sanctions for corruption offences, but the results for the economy and for the citizens mean that it is more than worth it.

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(1) “The Cost of Non-Europe in the area of Organised Crime and Corruption”:

http://www.europarl.europa.eu/RegData/etudes/STUD/2016/579319/EPRS_STU%282016%29579319_EN.pdf

(2) Bulgaria, Czech Republic, Croatia, Cyprus, Greece, Hungary, Italy, Latvia, Lithuania, Romania, Portugal, Slovakia, Slovenia and Spain.

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