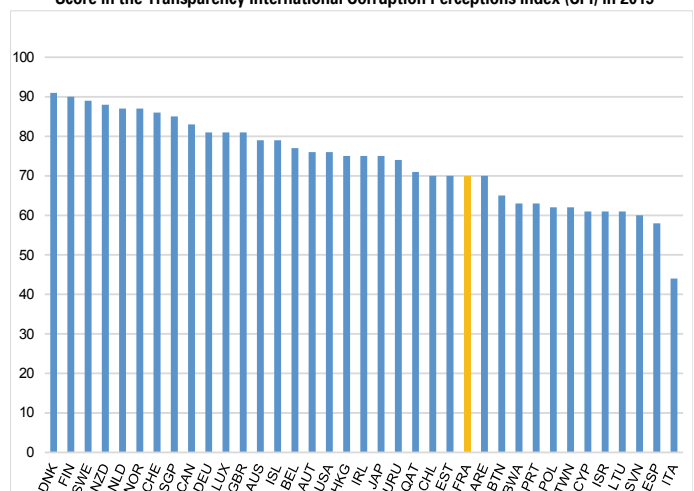


Fighting corruption: positive impacts on economic activity, including in developed countries

- Corruption has negative consequences for the economy because it affects the level, structure and calibre of public revenue and spending as well as private sector productivity.
- Indices that measure perceptions of corruption can be used to establish a rich – albeit imperfect and incomplete – country-by-country overview of the situation. Developed countries have lower levels of perceived corruption than do emerging economies, although some developed countries still have room for improvement.
- According to the Transparency International Corruption Perceptions Index (CPI), France, with its 23rd place, held an intermediate position among its European partners in 2015. Compared to its neighbours, France trailed Denmark (1st place), the United Kingdom and Germany (tied for 10th place) but was ahead of Spain (36th) and Italy (64th).
- Numerous empirical studies have shown there is a strong negative correlation between corruption and economic activity as measured by the rate of GDP growth, although the magnitude varies sharply with the scope of analysis of the studies (particularly the geographic region and the period studied). In France's case, for example, the Transparency, Anti-corruption and Economic Modernisation Bill could generate positive economic impacts which would enable France to attain higher standards and thereby improve the perceptions and trust of economic operators.

Score in the Transparency International Corruption Perceptions Index (CPI) in 2015



Source: Transparency International.

Interpretation: the higher the score the lower the perception of corruption.

1. Corruption undermines economic activity by affecting the amount and economic efficiency of investments, productivity and the accumulation of human capital, as well as the level and the calibre of public finances

Transparency International defines corruption as "the abuse of entrusted power for private gain." It is thus understood to involve either public officials or private operators who have received, by mandate, prerogatives of public service. It takes the form of a compensation given to an individual endowed with decision-making power by a corruptor seeking to obtain an undue advantage. Economic studies probably take a broader view of the corruption phenomenon because the indicators used to evaluate it are based more on perceptions than on proven facts. Indeed, perceptions may also be affected by forms of corruption confined solely to the private sector, political parties, or non-governmental organisations¹. The distortions created by corruption result in a sub-optimal allocation of public and private resources, making it more difficult for the economy to reach the socio-economic optimum. These effects have been demonstrated by most of the empirical analyses, which are based on the corruption levels revealed by international rankings.

1.1 Corruption leads to distortions that impede private sector activity by discouraging investments, altering the sectoral composition of the economy and limiting human capital accumulation

Corruption first weakens business investment – and more broadly production – via two main channels: higher production costs (and therefore a

lower return on investment) and greater uncertainty relating to projects (increased investment risk). For example, corruption can come in the form of favouritism obtained in exchange for bribes in the context of public procurements or licencing procedures. In such cases, corruption is tantamount to an additional financial burden for households and businesses, which has the same impact as a "tax" on investment.

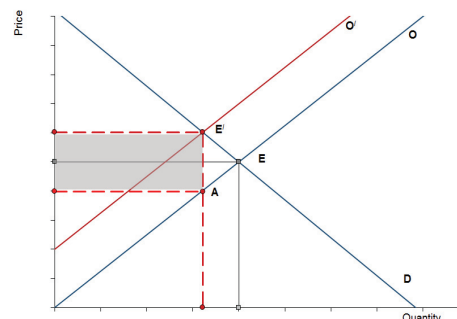
Moreover, corruption increases the risk of private investment by creating greater uncertainty about investment profitability². Neither the amount of the bribes nor the date of payment is known in advance, making the anticipated investment risk even higher, and potentially leading to a decision not to invest at all. This can jeopardise long-term projects in particular.

These two inter-related mechanisms have the effect of restricting investment. Thus, improving a country's corruption index³ by one standard-deviation would increase the rate of investment by 4 to 5 percentage points of GDP⁴. For the same reasons, corruption can degrade a country's attractiveness and discourage foreign direct investment (FDI) by non-residents in a country plagued by known corruption⁵. This has a negative impact on economic activity⁶.

Box 1: The effect of corruption is similar to that of a tax on production

A bribe acts like a tax on the producer: the higher cost of production causes the supply curve to shift from O to O' (cf. chart 1). The price to consumers rises, and production quantities fall. In consequence, consumer and producer surpluses contract, and the triangle AE'E represents the net loss of welfare for society as a whole. To this loss, we must add the revenues from the bribes (grey rectangle) captured by the corrupt public official^a rather than by public agencies, as would be the case for a tax. As a result, the loss – in economic terms – looks to be even greater than the "cost" of a tax.

Chart 1: Impact of corruption on economic equilibrium



a. As shown hereafter, the revenues captured are generally not reinvested in productivity-enhancing activities, but rather in unproductive (i.e., rent-seeking) activities.

- (1) USAID Anticorruption Strategy, 2005. Private sector corruption can take the form of bribes in connection with contract awards, for example.
- (2) Campos, Lien and Pradhan (1999), "The impact of corruption on investment: predictability matters", *World Development*, Vol. 27, Issue 6, pp. 1059-1067.
- (3) In this case, the index published by Business International (BI); a high score indicates a low level of corruption.
- (4) Mauro (1995), "Corruption and growth", *The Quarterly Journal of Economics*, Vol. 110, No. 3, pp. 681-712: an analysis of data on 70 developed and developing countries.
- (5) Lambsdorff (2003) demonstrates that a one point increase in corruption on a scale of 0 (least corrupt) to 10 (most corrupt) decreases net annual capital inflows by 0.5% of GDP.
- (6) See for example Woo and Heo (2009), "Corruption and foreign direct investment attractiveness in Asia", *Asian Politics and Policy*, Vol. 1, pp. 223-238, and Wei (2000), "How taxing is corruption on international investors", *The Review of Economics and Statistics*, Vol. 82, No 1.

Furthermore, corruption and favouritism can affect productivity and innovation by distorting competition and leading to a sub-optimal allocation of human capital. By giving preference to businesses that are not necessarily on the cusp of innovation, corruption impedes competitive momentum, which has a negative impact on investment and productivity. This mechanism can occur in particular in the context of tenders for public procurements where the specifications are "tailored" such that a single company is capable of meeting the tender requirements. In such cases, the award reflects neither the quality of the product nor the company's innovative capacity. Moreover, corruption undermines human capital accumulation: by driving down the relative profitability of productivity-enhancing

activities, corruption may lead to a "brain drain" because it gives individuals an incentive to turn away from above-board activities in favour of the shadow economy⁷, or even to leave the country and perform their jobs in an environment they view as more conducive. Combined with corruption's negative impact on investment and innovation, the inadequate investment in education – due both to individuals and to unfavourable public decisions (cf. 1.2) – is detrimental to the productivity of human capital. For example, Dreher and Herzfeld (2005)⁸ demonstrate that a one-point decline in the corruption index (meaning a higher level of perceived corruption) is associated with a 5 percentage points reduction in the school enrolment rate (the study was based on data concerning developing countries).

Box 2: Corruption impedes growth in emerging economies

On average, emerging countries have a higher level of corruption than developed countries.

In 2014 and 2015 for example, the Corruption Perceptions Index (CPI) of nations in Asia, Sub-Saharan Africa and Latin America stood at 37.3, 33.2 and 35.9 respectively, versus 69.5 for the OECD countries.

The economic benefits of curbing corruption are thus potentially higher for emerging countries than for developed countries. Studies show that economic activity in emerging countries is generally more responsive to a decline in corruption than in the world as a whole or in the OECD countries alone. For example, Gyimah-Brempong *et al.* (2006) showed that a 10% reduction in the corruption index (corresponding to a higher level of perceived corruption) is tied to a decrease of about 1.7% in per capita income in the OECD and Asian countries versus a decline of 2.6% in Latin American countries and 2.8% in African countries^a.

This higher level of perceived corruption and the fact that economic activity in emerging countries is more sensitive to corruption may be partially explained by a dual causal link that leads to a vicious circle of corruption and underdevelopment. Corruption itself is actually encouraged by underdevelopment, which is associated with weak economic, political and social institutions in a country. The fact is that more limited civil liberties^b, less social equality^c, lower compensation of public officials^d, or weaker public governance^e can create more incentives or opportunities to resort to corruption, although there has been no consensus as to the relative importance of these various factors.

This vicious circle is sustained by weaknesses in the anti-corruption effort due to more limited available resources than in advanced countries and to the ineffectiveness of oversight bodies in the institutional, democratic and media spheres. Very often, a decrease in corruption grows out of a process of economic and democratic development, through greater independence between policy-makers and interest groups, greater prominence of the rule of law, political pluralism^f and media independence^g.

- a. Gyimah-Brempong *et al.* (2006), "Corruption, Growth, and Income Distribution: Are there Regional Differences?", *Economics of Governance*, p. 258.
- b. Ferraz and Finan (2010), "Electoral accountability and corruption: evidence from the audits of local governments", *American Economic Review*, 101: 1274-1311.
- c. You and Khagram (2005), "A comparative study of inequality and corruption", *American Sociological Review*, 70, 136-157 - Husted (1999), "Wealth, culture and corruption", *Journal of International Business Studies*, 30(2):339-359.
- d. Mutreja (2012), "Effects of Wages of Government Officials on Corruption in Developing Countries".
- e. Rose-Ackerman (2004), "Governance and corruption", *Global Crises, Global Solutions*, Cambridge University Press, 301-344.
- f. Mungiu-Pippidi (2006 and 2011).
- g. Camaj (2013), *The International Journal of Press/Politics*, Vol. 18 and Kalenborn, Lessmann (2013), "The impact of democracy and press freedom on corruption: Conditionality matters", *Journal of Policy Modeling*, Vol. 35 p. 857-886.

1.2 Corruption constrains public resources and undermines the calibre of public spending

Corruption can lead to a loss of fiscal resources, thereby degrading a State's capacity to provide the resources necessary for economic growth. The ratio of actual to potential tax revenues is negatively affected by corruption⁹. This diminished public levy can be the result

of various factors, such as a higher tolerance for tax fraud, undue tax exemptions, weaknesses on the part of the tax authorities or a more extensive shadow economy as business owners "go underground" to avoid having to deal with corruption¹⁰. According to Attila *et al.* (2009), for the entire sample studied (125 countries) over the period 1980-2002, an increase in corruption equivalent to one standard-deviation of the ICRG¹¹ corruption index would

(7) Mo 2001, "Corruption and economic growth", *Journal of Comparative Economics*, Elsevier, vol. 29(1), p. 66-79, March.

(8) Dreher and Herzfeld (2005), "The economic costs of corruption: a survey and new evidence", *Working paper* 506001, Public Economics.

(9) Tanzi and Davoodi (2000), "Corruption, growth, and public finances", *IMF Working Paper*, No. 00/182.

(10) Dreher and Herzfeld (2005), "The economic costs of corruption: a survey and new evidence".

(11) International Country Risk Guide, index from 0 to 6.

limit the public levy (total revenues as a share of GDP) by 7.8 percentage points¹². Conversely, the diminution of corruption in OECD member countries led to a rise of 1.4 points in the public levies over the period. The authors call particular attention to corruption's detrimental impact on civic-mindedness with respect to tax obligations. The result is a loss of government revenues, which jeopardises the capacity to develop social welfare infrastructure such as education and healthcare¹³. This in turn contributes to the deterioration of civic-mindedness when it comes to paying taxes.

Moreover, corruption affects the calibre of public spending¹⁴ to the detriment of economic productivity. With its impact on public investment choices,

corruption generates distortions in the sectoral composition of the economy: it encourages appropriations of public funds to rent-seeking rather than productivity-enhancing activities. Certain sectors such as military spending¹⁵ may benefit from public resources, but this is to the detriment of other spending categories more conducive to long-term growth, such as education or healthcare¹⁶. For example, an improvement of one standard-deviation in the corruption index is correlated with a 6-percentage point rise in educational expenditure¹⁷. In addition, Dreher and Herzfeld (2005) demonstrate that a one-point fall in the ICRG corruption index shortens life span by about 2.5 years as a result of a less efficient healthcare system¹⁸.

2. In its fight against corruption, France has room for improvement. The Transparency, Anti-Corruption and Economic Modernisation Bill is aimed at attaining the highest international standards with potential beneficial impacts on growth

2.1 France still has room for improvement regarding perceptions of corruption

As shown by the European Union's Eurobarometer, France has a relatively poor rank within Europe in terms of perceived corruption. In 2013 for example, 19% of French people viewed their government's anti-corruption efforts as effective. Although the figure is stable compared to 2009, it is the lowest among the eight countries of the Western European Union (in the UK, this figure rose from 25% to 29%) over the period¹⁹.

In its first report on corruption²⁰, the European Commission identified French failings especially in the area of public procurement. Public procurement accounts for more than 15% of GDP in France²¹ and there are fewer than about thirty convictions per year, on average, for the offence of granting an unfair advantage (favouritism)²². The indicator of the proportion of tenders for which a single company submitted a bid is viewed as the most revealing indicator of corruption in connection with public procurements²³. In France, that figure stood at 14% in 2013 against 11% in Germany, 7% in the Netherlands and 4% in the United Kingdom²⁴.

As for OECD recommendations, they focus on combatting active bribery of foreign public officials in connection with international business

transactions. For example, the OECD Convention on Combating Bribery of Foreign Public Officials entered into force on 15 February 1999. The legal norms it established aimed to criminalise this type of corruption. Signatory states must provide for "effective, proportionate and dissuasive criminal penalties". Peer reviews are conducted periodically to verify that member states are implementing the Convention's provisions. To strengthen the enforcement of these commitments, the OECD Council issued recommendations in 2009. These include calling for awareness-raising initiatives in the public and private sectors, examination of criminal law, and measures to protect public and private sector employees from any discriminatory or disciplinary action when they report in good faith on suspected acts of bribery of foreign public officials.

In the case of France, the OECD Working Group on Bribery in International Business Transactions deemed in October 2014 that France was not yet sufficiently compliant with the Convention, citing in particular the fact that no French company had ever been convicted of foreign bribery, and that the penalties faced by natural persons were not dissuasive. The Working Group did however welcome the opening of 24 new cases since October 2012 as well as France's adoption of several significant reforms, including the creation of a National

(12) Attila G., Chambas G., Combes J.-L., "Corruption et mobilisation des recettes publiques: une analyse économétrique", *Recherches économiques de Louvain* 2/2009 (Vol. 75), p. 229-268.

(13) Rajkumar and Swaroop (2008), "Public spending and outcomes: does governance matter?", *Journal of Development Economics*, No. 86, 96-111.

(14) Tanzi & Davoodi, 1997, "Corruption, Public Investment, and Growth," *IMF Working Paper* 97/139 (Washington: International Monetary Fund).

(15) Gupta, de Mello, Sharan (2000), "Corruption and military spending", *IMF Working Paper* No 00/23.

(16) Mauro 1998, "Corruption and the composition of government expenditure", *Journal of Public Economics*, Vol. 69 (August), pp.263-279.

(17) *Op. cit.*

(18) *Op. cit.*

(19) Source: Eurobarometer 72.2/2009 (QB5) and Eurobarometer 79.1/2013 (QB15): "Do you totally agree, tend to agree, tend to disagree or totally disagree [...]: Government efforts to combat corruption are effective."

(20) Report from the Commission to the Council and the European Parliament - EU Anti-Corruption Report (February 2014) - p. 39 and 40 of the overall report and p. 12 of the Annex devoted to France.

(21) Source: OECD data (2013).

(22) Direction des affaires criminelles et des grâces, ministère de la Justice.

(23) Public Integrity and Trust in Europe, European Research Centre for Anti-Corruption and State-Building (ERCAS), Hertie School of Governance, Berlin 2015.

(24) Source: EU's Tenders Electronic Daily, DG GROW, European Commission.

Financial Prosecutor, the elimination of individual instructions from the Minister of Justice to prosecutors, the possibility for anti-corruption organisations to bring civil party claims, and protection for all whistle-blowers and substantially harsher criminal sanctions for bribing foreign public officials.

Transparency International ranks 168 countries according to a Corruption Perceptions Index (CPI). France was 23rd in 2015 with a score of 70/100 (*cf.* cover page), trailing the top-ranked Denmark (91/100) and Germany and the United Kingdom (tied for 10th place with a score of 81/100), but leading Spain (36th place) and Italy (61st place), which scored 58/100 and 44/100 respectively. Currently the international benchmark, the CPI focuses mainly on corruption in the public sector; it is compiled from surveys and assessments of corruption which are based on interviews of experts by institutions considered to be reliable (such as international financial institutions). The questions pertain in particular to the degree of responsibility of public accountants, the prevention of illegal acquisition of interests, and the available repression measures.

The Political Risk Services (PRS) group prepares another index that includes a corruption component: the International Country Risk Guide (ICRG), covering 140 countries. France ranked 13th for corruption with a score of 0.75 in 2014, tied with ten other countries including Australia, Belgium, Japan and the United States. However, this score placed France behind the group of the five "cleanest" countries in the world (including the Scandinavian countries) which scored 0.92, and also below another group of seven countries (including Germany and the UK) which scored 0.83 (*cf.* chart 2). According to this index as well, Spain (31st) and Italy (54th) trailed other European countries, with scores of 0.58 and 0.42 respectively. The overall ICRG index consists in 22 indicators divided into three risk categories (political, financial, economic), each of which has its own indicator. The issue of corruption is addressed in the political sphere and is weighted to account for 6% of the political risk. Two types of corruption are considered: monetary corruption (which entails a financial pay-off) and influence corruption (such as favouritism).

Box 3: The limitations of corruption measurement indicators

Corruption measurement indicators have proven their value by contributing to stronger policy initiatives for combatting corruption, but in light of the methodology applied to compile the indicators, they must be interpreted with caution.

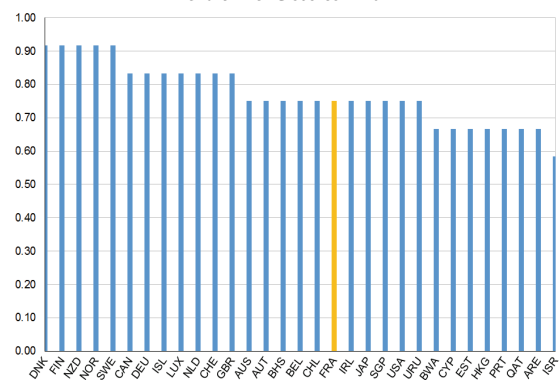
These indicators, especially the Transparency International CPI, exhibit bias because they measure perceptions of corruption rather than corruption itself, which is more difficult to determine. For this reason, they have been criticised by several authors^a even beyond their inherent statistical limitations (aggregation of heterogeneous data with large margins of error).

The reliability of these indices must be qualified due to the difficulty of comparing perceptions across the different experts consulted and the different countries. For example, the CPI aggregates 13 separate perception surveys, but the stakeholders interviewed are not necessarily representative of the public directly impacted by corruption in the country under study. Campbell (2013) cites the case of Brazil, ranked 69th in 2010, whereas according to the 2010 Global Corruption Barometer only 4% of Brazilians allegedly had to pay a bribe (a rate lower than in the United States and in the other Latin American countries)^b. The experts interviewed may exhibit a bias in favour of or against the existing government or, more broadly, the policy initiatives of the country, particularly when they are expatriates of that country as is often the case.

Moreover, the very definition of the corruption measured by these indicators is fuzzy. The concepts addressed by the surveys cannot necessarily be interpreted in a universal manner. Moreover, what leads to negative perceptions may differ from one country to another (for example, in one country it may be the frequency of corrupt actions and in another country the amount of bribes paid^c).

For these reasons, the indices must be viewed above all as tools that can exert pressure to advocate for effective anti-corruption measures worldwide^d.

Chart 2: ICRG scores in 2014



Source: World Bank.

How to read this chart: the higher the score, the lower the level of perceived corruption.

- Arndt and Oman (2006), "Les indicateurs de gouvernance pour le développement", Centre de développement de l'OCDE, Repères 33, OECD Publishing, and Galtung (2006), "Measuring the immeasurable: boundaries and functions of (macro) corruption indices", in C.A. Sampford C., Shacklock A. Connors C. and Galtung F. eds., *Measuring Corruption*, Ashgate, Hampshire, UK and Vermont, US, 101-130.
- Campbell S.V. (2013) "Perception is not reality: the FCPA, Brazil and the mismeasurement of corruption", *Minnesota Journal of International Law*, Vol. 22, No 1, p.247.
- Thompson T., Shah A. (2005), "Transparency International's Corruption Perceptions Index: Whose Perceptions Are They Anyway?", Discussion draft, 2005. <http://go.worldbank.org/I1RTMZUUA0>.
- Hawthorne, "Transparency International's Corruption Perceptions Index: 'best flawed' measure of corruption?", paper submitted to the 3rd Global Conference on Transparency Research, HEC Paris, October 2013.

2.2 Empirical studies reveal a strong negative correlation between corruption and economic growth

For an empirical evaluation of the link between corruption and growth, dynamic models can be estimated using panel data, in an effort to determine the historical ties between economic growth and the CPI and ICRG international indices while controlling for other factors that affect growth²⁵. Model results therefore depend on perception measurements, which, although subjective, appear to be closely correlated with actual levels of corruption (*cf.* Box 3). As such, these models also highlight the importance of accurate perceptions as to a country's degree of transparency, and therefore the value of calling attention to progress achieved in this area.

These analyses generally reveal strong correlations between these corruption perception indices and economic growth, meaning that France stands

to gain a great deal by joining the ranks of the top-scoring countries.

For example, if France were to approach the scores of Germany and the United Kingdom in the international rankings – a jump that would be roughly on par with Britain's progress since 2010 (*cf.* Box 4) – it could mean significant gains in economic growth²⁶. Based on the estimates for the OECD member countries²⁷ alone, which constitute the most homogeneous sample of countries comparable to France, the expected gain could be on the order of 0.2 percentage points per year.

Although the "direction" of the correlation appears well documented in the scholarly literature, the actual evaluations must be interpreted with caution due to the magnitude of the estimated results, the fact that indices are based on qualitative appraisals, and the fact that studies generally focus on a heterogeneous sample of countries (in terms of their development or their characteristics).

3. The Transparency, Anti-corruption and Economic Modernisation Bill should help France catch up with the top-ranking countries, with potential benefits for the French economy

The bill provides for a reinforcement of means for combating offences of probity in France as well as abroad, such as in the context of public procurements. To this end, it calls for stronger repression of active corruption of foreign public officials by making influence peddling involving a foreign public official a specific offence and facilitating its prosecution. The bill also calls for the creation of a national agency for the prevention and detection of corruption²⁸, improves the protection of whistle-blowers²⁹, requires that companies and public establishments of an industrial and commercial nature (EPIC) put internal control systems in place³⁰ and reinforces sanctions in the event of violations of probity (in particular, a programme for compliance and monitoring and the possibility of prosecuting foreigners whose usual residence is in France). Additionally, the bill seeks to enhance transparency in relations between public officials and the business world, notably by establishing a digital directory of interest group representatives, accessible online to create a framework for their actions. Interest group representatives will be under the obligation to register and declare their activities and relations with public officials, and to comply with their ethical obligations.

Implementing these measures could reduce actual corruption as well as perceptions of corruption, thereby enabling France to progress toward attain-

ment of the highest standards and a better place in international rankings. This could create benefits in terms of growth, although the exact impact is difficult to quantify.

For example, protecting whistle-blowers could significantly improve the effectiveness of the fight against corruption as illustrated by the example of the United States, where whistle-blowers are protected and constitute one of the Department of Justice's main sources of information. Similarly, the skills and resources of France's agency for the prevention and detection of corruption will be broader than those of the current Central Service for the Prevention of Corruption (SCPC) and are designed to remedy weaknesses observed in the areas of public procurement and international business transactions. Also on the topic of public procurements, the guidelines set forth by the agency could encourage the creation of internal audit and control entities within local administrations; these entities could determine which activities are more exposed to risks of probity violations (such as the social housing office OPHLM)³¹.

Finally, the measures included in this bill could encourage greater trust in institutions. One distinctive feature of France is the low level of trust that people have in its institutions, particularly the justice system and political institutions (*cf.* charts 3 and 4). And, according

(25) For example, the initial level of development, the geographic location, population growth, public expenditure as a share of GDP.

(26) As estimated in the available literature, the impact is on the rate of GDP growth rather than on its absolute level.

(27) Gyimah-Brempong (2006), *Op. cit.*

(28) The creation of this agency has numerous international models. These include the prerogatives of the National Anti-Corruption Authority (Autorita Nazionale Anti Corruzione) in Italy for prevention and the BIBOB and Adviespunt Klokkenluiders (Netherlands) for detection. The agency's definition of a multi-year anti-corruption plan is most directly inspired by the UK's National Anti-Corruption Action Plan.

(29) The law is based in particular on the Netherlands' Adviespunt Klokkenluiders (House for Whistle-blowers, which includes an advisory department).

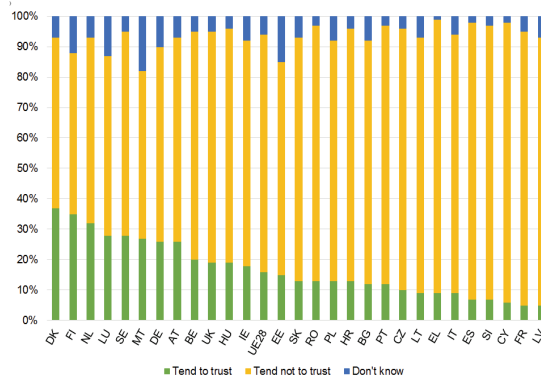
(30) This measure is inspired in particular by the UK Bribery Act (UKBA) of 2010.

(31) Example given in the analysis of the impacts of the bill (December 2015).

to Algan & Cahuc (2007)³², "this distrust goes hand in hand with an increasingly frequent lack of civic-mindedness in many areas essential to the proper

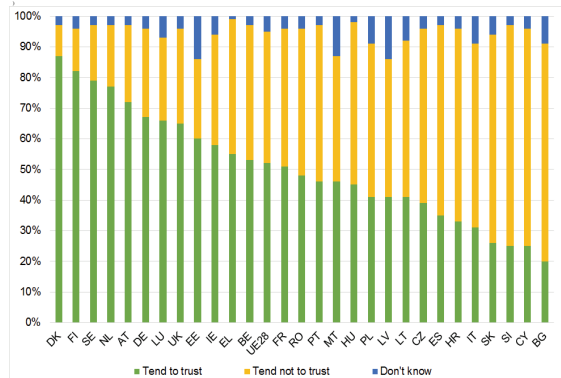
functioning of the economy." In addition, "the French could boost their income by 5% if they trusted their fellow citizens as much as the Swedes do."

Chart 3: Europeans' level of trust in national political parties



Source: Eurobarometer, spring 2015.

Graphique 4 : Européens' level of trust in justice/their national judicial system



Source: Eurobarometer, spring 2015.

Box 4: The UK Bribery Act: a direct and meaningful impact on perceptions of corruption

The case of the United Kingdom illustrates how quickly and significantly a large-scale reform of anti-corruption practices can alter perceptions of corruption.

The United Kingdom's CPI score had fallen sharply pursuant to the December 2006 decision to abandon the enquiry into BAE Systems' sale of arms to Saudi Arabia. At the time, the OECD placed the country under watch, pointing to weaknesses in its anti-corruption system.

The United Kingdom Bribery Act (UKBA) approved on 8 April 2010 simplifies and modernises formerly fragmented legislation and reinforces criminal sanctions including those for violations committed abroad, under certain conditions. The law came into effect on 1 July 2011.

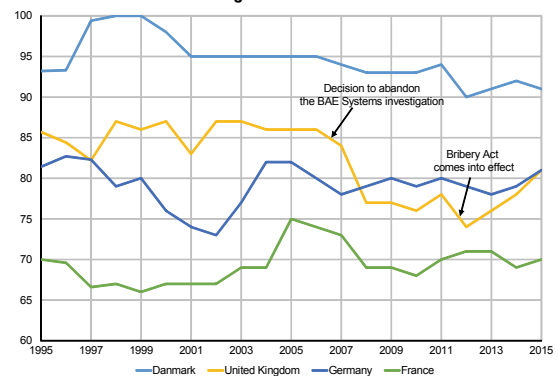
The UKBA defines four main offences: general active corruption, general passive corruption, active bribery of foreign public officials and corporate offence, which refers to the failure of a commercial organisation to prevent bribery by its associated persons. Under the latter provision, commercial organisations are held responsible for preventing corruption.

Although the UKBA encouraged awareness of the phenomenon and led to the deployment of compliance programmes in commercial organisations, some of its provisions gave rise to a range of different interpretations.

To address the issue of legal certainty, the UK Ministry of Justice in 2011 published Guidance (concerning proportionate procedures, for example) that has been supplemented since 2014 with the possibility, under clearly defined conditions, of seeking a settlement in exchange for the abandonment of prosecution.

After the UKBA came into effect, the United Kingdom's score in international corruption rankings improved significantly. For example, the UK's CPI score rose from 76^a in 2010 to 81 in 2015 and its ICRG score rose from 0.67 in 2010 to 0.83 in 2014, propelling the country from 20th place in 2010 into 10th place in the 2015 rankings of Transparency International, tied with Germany.

Chart 5: Changes in CPI scores since 1995



Source: Transparency International.

a. 7.6 out of 10 in 2010, before a change in scale in 2012.

Jean-Baptiste CHAUVEL, Laura LE SAUX

(32) Algan, Cahuc (2007), "La société de défiance: comment le modèle social français s'autodétruit", Éditions rue d'Ulm.

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