

Costa Rica in the OECD: A Perspective on Corruption and Public Integrity.

Jorge Barrantes Rivera, William Lobo Chaves

National University

costa rica

jorge.barrantes.rivera@una.cr

willian.lobo.chaves@una.cr

Summary.

The fight against corruption and the improvement of the integrity of state-owned enterprises is a clear strategic imperative. Currently, 102 of the world's 500 largest companies are public, and the trend is clearly upward. Corruption is pointed out today as the main concern of world citizens, above globalization or migration. According to the 2020 Corruption Perceptions Index, more than two-thirds of the world's countries are corrupt. The pandemic is a good breeding ground for embezzlement of public funds and nepotism. The 2020 Global Corruption Index placed Costa Rica in 42nd place in the world, which means an improvement of two years over last year.

Costa Rica has not been exempt from the corruption scandals associated with the pandemic, specifically in the case of purchases of masks and other basic necessities from the primary health care line of infected patients and those in intensive care units. Protecting and preserving the anonymity of whistleblowers are essential tools to safeguard the public interest and promote accountability and integrity in institutions. public and private.

Keywords. Corruption, State, Pandemic

Abstract.

Fighting corruption and improving the integrity of SOEs are clear strategic imperatives. Currently, 102 of the 500 largest companies in the world are public, and the trend is clearly upward. Corruption is pointed out today as the main concern of world citizens, above globalization or migration. According to the Corruption Perception Index 2020, more than two-thirds

of the world's countries are corrupt. The pandemic is a good breeding ground for misuse of public funds and nepotism.

The

Global Corruption Index 2020, placed Costa Rica in 42nd place in the world, which means an improvement of two places compared to last year.

Costa Rica has not been exempt from the corruption scandals associated with the pandemic, specifically in the case of purchases of masks and other essential supplies of the primary line of medical care for infected patients and those who are in care units intensive. Protecting and maintaining the anonymity of those who report wrongdoing are essential tools to safeguard the public interest and promote accountability and integrity in public and private institutions

Keywords. Corruption, State, Pandemic

I. INTRUDUCCIÓN.

The Organisation for Economic Co-operation and Development (OECD) is an international organisation whose mission is to design better policies for a better life. Its objective is to promote policies that promote prosperity, equality, opportunity and well-being for all people. They are backed by almost 60 years of experience and knowledge to better prepare the world of tomorrow. Costa Rica's accession to the OECD in May, 2020, formally took five years, since 2015 Costa Rica went through examinations of 22 committees of that international organization.

The fight against corruption and the improvement of the integrity of state-owned enterprises are clear strategic imperatives. Currently, 102 of the world's 500 largest companies are public, and the trend is clearly upward. The number of companies has tripled since the beginning of the new century. As their presence as global competitors continues to grow, it is more important than ever that state-owned enterprises operate with transparency and efficiency. The investigations carried out

the OECD and other bodies conclude that certain state-owned enterprises are particularly exposed to the threat of corruption.

It should also be borne in mind that state ownership is concentrated in high-risk sectors, such as extractive industries and infrastructure, where the public and private sectors converge under valuable concessions and public tendering projects. To effectively mitigate the dangers of corruption, the exercise of state ownership must be firm and responsible. Also, in many economies, state-owned enterprises provide essential public services. The cost to public coffers and the harmful effects of misallocation of resources on state-owned enterprises due to corruption can undermine citizens' trust in public institutions.

Regarding the approach to the fight against corruption, the OECD issued in 2019 a document titled "Council Recommendation on the Guidelines on the Fight against Corruption and Integrity in State-Owned Enterprises" which aim to complete

the Guidelines on State-Owned Enterprises, providing guidance to the State on how to carry out its role as owner in an active and informed manner in the specific area of anti-corruption and integrity. The main elements addressed in both this Recommendation and the above-mentioned Guidelines are: (i) the professionalization of the State property function; (ii) ensure that state-owned enterprises operate with levels of efficiency, transparency and accountability similar to those of private enterprises that follow best practices; and (iii) ensure that competition between state-owned and private enterprises, when it occurs, is conducted on an equal footing.

Corruption is pointed out today as the main concern of world citizens, above globalization or migration.

According to the specialized website Edelman [1] the following were the main concerns of global citizens in a survey applied in 2017:



Fig. 2 Concerns of citizens worldwide

According to the document called the Council Recommendation on Public Integrity [2], between "10-30% of the investment in a construction project, financed with funds public, can be wasted due to mismanagement and corruption"

A report by the International Monetary Fund (IMF) released by the BBC in 2019 [3] on the relationship between corruption and government tax revenues reveals that this scourge has a significant impact on the

public accounts, including for countries with economies Developed.

On the subject, Mr. Paolo Mauro, Deputy Director of the IMF's Fiscal Affairs Department, said:

"If you compare the countries that are perceived as less corrupt with those that are perceived as more corrupt, the differences in the proportion of income as part of the Gross Domestic Product (GDP) is 4 percentage points. That's a big difference."

The average tax revenue for Latin America is 26.5% of GDP, so an increase of 4 percentage points is a very large amount. Imagine if all countries improved substantially in controlling corruption. That would mean going from 26% to 30%, so there would be many more resources for productive expenses."

To place this figure of 4% in perspective, it may be convenient to highlight that, in 2017, for example, all spending on education in Peru was 3.9% of GDP and that countries such as Mexico and Brazil are between 5% and 6%, respectively

The I am a student of the IMF encounter What this correlation between corruption, measured from the indices of perception of this, and tax revenues calculated as part of GDP, are produced in both low-income and low-income countries emerging economies (group in which includes the largest part of the Countries Latin Americans) and even in the Nations Advanced.

Corruption is one of the most corrosive issues of our time. It wastes public resources, increases economic and social inequality, fuels discontent and political polarization, and decreases trust in institutions.

Corruption hampers the productivity of the public and private sectors. It perpetuates inequality and poverty, affecting well-being and income distribution and undermining opportunities to participate equally in social, economic and political life.

Integrity is essential to building single institutions and assures citizens that the government is working in their interest, not just for a select few. Integrity is not just a moral issue, it is also about making economies more productive, public sectors more efficient, societies and economies more inclusive. It is about restoring trust, not only trust in government, but also in public institutions, regulated institutions, banks and corporations.

II. D DEVELOPMENT.

The quality of corporate governance and the way in which the State exercises its property rights can contribute to addressing issues related to corruption, its roots and its consequences.

Some state-owned enterprises still function as state-owned institutions despite having economic objectives and competing in the market, and many lack the advanced risk management and accountability mechanisms present in those private companies that stand out for their good practices. On the other hand, state-owned enterprises may be subject to undue intervention by senior officials or third parties. In this regard, the Recommendation

of the Council on the OECD Guidelines on Combating Corruption and Integrity in State-Owned Enterprises can help States, as owners, promote integrity and combat corruption in state-owned enterprises. These Guidelines complement the already existing OECD Guidelines on Corporate Governance of State-Owned Enterprises and have a broad international consensus, as they are based on the G20 High-Level Principles on the Prevention of Corruption and safeguarding integrity in state-owned enterprises endorsed by G20 leaders in 2018.

These Guidelines reflect the role of the OECD as a global standard-setting body on public corporate governance, anti-corruption and integrity promotion, as well as enriching the OECD's tools and contributing to the commitments made as part of the international consensus is transformed into concrete actions.

A 2019 IMF investigation warns of three areas where there are great opportunities for corruption:

- a. The exploitation of valuable natural resources, where there is a large profit margin, so that countries that have these riches must apply even more control and transparency measures.
- b. Public procurement processes, in particular, those contracts that are very large and complicated such as those involving armaments or the construction of infrastructure, in which it is difficult to set a price.
- c. In state-owned enterprises, on which sometimes fewer controls are applied than those existing on the central government.

Although these three areas can portray reality of many Latin American countries, the study ensures that the have worked comparing many countries (the study used data of more than a hundred) allows you to realize that these Circumstances y the Problems What herself Related are also present in many other parts of the world.

How much does corruption cost the economy of the world?

The United Nations (UN) estimates the cost of corruption worldwide at almost 5 trillion dollars of the planet's GDP. According to the agency, \$2 trillion corresponds to what is paid for bribes. Additionally, another \$2.6 billion is for thefts made through diversion and embezzlement.

However, this problem does not only cover the financial sphere. According to a report by Transparency International (TI), [4] it could have an environmental impact for one reason:

"Corruption is one of the biggest obstacles to ensthening the effectiveness of climate change adaptation and mitigation measures"

This is because there continue to be crimes against nature. Such is the case with logging and illegal mining. In many cases, the murder of environmental activists is also provoked.

More and more institutions are being created that fight for awareness systems in universities. The goal is for professionals to learn to see corruption as a drag on the world's economy. It also seeks to make it understood that the development of countries depends on good practices and honesty.

In 2021, the UN will hold its first special session. This will be dedicated to the fight against corruption

A. *Transparency International: in times of pandemic "Corruption kills"*

According to the 2020 Corruption Perceptions Index, more than two-thirds of the world's countries are corrupt. The pandemic is a good breeding ground for embezzlement of public funds and nepotism.

The pandemic means for everyone a state of continuous execution. For a year now, governments around the world have had to manage this state of emergency: acquiring medical devices, importing face masks, preparing vaccinations, as well as distributing aid packages and money.

"Unfortunately, the pandemic is good for corrupt governments,"

says Daniel Eriksson, director of Transparency International, an organization that annually publishes a corruption index.

This year, Transparency International experts focused on the relationship between corruption and health care.

"There is a link between the level of corruption and the response to the health crisis caused by the pandemic,"

Eriksson told DW, adding that authoritarian governments do not act transparently especially in the acquisition of medical devices and masks, an attractive process to pocket money and to enrich themselves at the expense of the population, since, at the expense of the population. Finally, poor countries in Asia and Africa invest less in health systems.

"Here we can say very concretely: corruption kills."



Fig. 2 Transparency International Corruption Perceptions Index 2020.

B. *Costa Rica and the rest of the world according to the Global Corruption Index 2020.*

The 2020 Global Corruption Index placed Costa Rica in 42nd place in the world, which means an improvement of two places over last year. [5]

In the Americas, Canada and Uruguay had the highest scores, with 77 and 71 points respectively; and Nicaragua, Haiti and Venezuela the lowest, with 22, 18 and 15 points.

It is noteworthy that the alarming concentration of power in the executive arm in El Salvador.

"has contributed to an explosion of irregularities and corruption cases linked to COVID-19-related contracting."

Also in Central America, Transparency International indicates that Honduras obtained its lowest score in the historical series (with 24 points in the index).

The four countries with the highest scores this year are Denmark, New Zealand, Finland and Singapore; and the worst-scoring countries are South Sudan, Somalia, Syria and Yemen.

The released index *"paints a gloomy landscape,"* the global organization claims.

"Most of the countries evaluated have not made any progress in the fight against corruption and more than two-thirds score below 50," it reads. "Corruption diverts funds earmarked for public services. Countries with the highest degree of corruption, regardless of their economic development, tend to invest less in health," the report explains.

With 71 points in the index, Uruguay is mentioned as one of the least corrupt countries in Latin America.

"State spending on health is one of the highest in the region. The country has a robust system of epidemiological observation and control, which has been very useful when facing covid-19 and other infectious diseases such as fiebrand yellow and Zika, "says the report.

While, with 67 points, this year the United States obtained its lowest score since 2012.

"The administration's difficulties in overseeing the use of the unprecedented one trillion dollar sum allocated to the fight against Covid-19 raised great concerns around corruption. and was a major setback to the democratic norms of a country with a long history of accountability in the executive," the report said.

Despite the above, in the document called Economic Studies of the OECD, Costa Rica of July, 2020, this Organization established as one of its Findings that:

"Corruption undermines trust in institutions and international competition, hampering productivity. It also affects tax revenues and the government's ability to deliver quality public services. Corruption also erodes trust in the government and can lead to social and political instability. Perceptions of corruption in Costa Rica are lower than in other Latin American countries, but have recently increased and are higher than in OECD countries. Therefore, policy efforts to reduce and prevent corruption are justified."

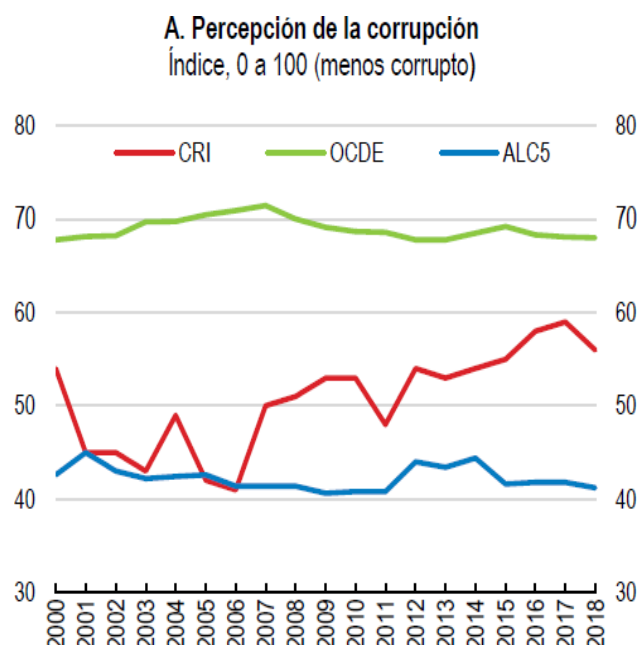


Fig. 3 Transparency International Corruption Perceptions Index; and OECD calculations based on data from the Financial Action Task Force (FATF)

C. Guidelines on Combating Corruption and Integrity in State-Owned Enterprises

By way of summary, the OECD Guidelines on Combating Corruption and Integrity in State-Owned Enterprises cited above are composed of the following manera:

j

TABLA I

**DIRECTRICES EN MATERIA DE LUCHA CONTRA LA CORRUPCIÓN E INTEGRIDAD EN LAS EMPRESAS
ESTATALES OECD**

Guideline	Relevant aspect of the Guideline	OECD Recommendation to its members
A. Integrity of the State	<p>A.1. Satisfy strict criteria of State behavior</p> <p>A.2. Establish practices in the function of property that promote integrity.</p>	That all Member States and non-members that have acceded to this Recommendation (hereinafter referred to as the "Adherents") bear in mind that state-owned enterprises are supervised autonomous legal entities by the Administration and by high-level public officials and subject in general to the rule of law in the countries in which they operate. Adherents should fully adhere to the good practices and rigorous behavioral criteria on which integrity in state-owned enterprises depends.
B. Exercise of State Property Rights in Favor of Integrity	<p>B.1. Guarantee the clarity of the legal and regulatory framework and the expectations of the State regarding the fight against corruption and integrity.</p> <p>B.2. Act as an active and informed owner when it comes to the fight against corruption and integrity in state-owned enterprises.</p>	That the Adherents act as active and committed owners, maintaining high levels of performance and integrity in state enterprises, while refraining from unduly intervening in their operations or from directly controlling their management. Proprietary entities should have the legal backing, capacity and information necessary to make so that state-owned enterprises maintain high levels of performance and integrity. Adherents must clearly express their expectations regarding the fight against corruption and integrity.
C. Promotion of Integrity and Prevention of Corruption Within the Company.	<p>C.1. Promote integrated risk management systems in state-owned enterprises.</p> <p>C.2. Promote internal controls, ethics and compliance measures in state-owned enterprises.</p> <p>C.3. Safeguard the autonomy of the decision-making bodies of state-owned enterprises</p>	That the Adherents ensure that their ownership policy fully reflects that one of the foundations of the promotion of integrity y the prevention of the corruption in the State-owned enterprises and in relation to them is efficiency of the company's internal controls, ethics and measurement of compliance What prevent, detect y mitigate risks related to corruption and Make fulfill the norbut. The Adherents Must Make sure of What the enterprises State sean Supervised by Councils of Administration Effective y Competent empowered to supervise the management of the enterprise and to act autonomously with respect to the State as a whole.
D. Accountability of State and State Enterprises	<p>D.1. Create accountability and oversight mechanisms in state-owned enterprises</p> <p>D.2. Take measures and respect due process in investigations and prosecutions</p> <p>D.3. Encourage the participation of civil society, citizens and</p>	That the Adherents guarantee the timely detection of corruption, as well as the investigation and application of the law, and that the fundamental processes are entrusted to institutions that are protected from external influences, from the possibility of elimination of the aforementioned processes and the disclosure of public information about their activities. Solid, transparent and independent external audit procedures are mechanisms that guarantee financial probity, informing shareholders of the general behavior of the company. and involving stakeholders.

	the media and the business community	
--	--------------------------------------	--

The risk of corruption may or may not be qualitatively different in state-owned and private enterprises, but the high standards of integrity in the former may depend, in practice, on how the state exercises its property rights. A 2018 OECD study concluded that, in some cases, state-owned enterprises appear to have less ability or willingness than private enterprises to avoid high-risk activities (OECD, 2018). In addition, analysis of several courted bribery cases between 1999 and 2014 shows that state-owned enterprise charges received bribes more often than other public officials (OECD, 2014). [6]

According to the OECD, it is necessary to consider the risk of high-level public officials deliberately using corporate finance, favourable treatment or personal enrichment or for their parties. There is a risk to state-owned enterprises in the following cases: (i) if there is a widespread lack of integrity in the public sector; (ii) if there is a lack of professionalism in the exercise of property by the State; (iii) whether there are risks in management and corporate controls are insufficient or not taken into account, and; (iv) if there is poor enforcement of the regulations or improper protection against the application of the law and other repressive elements.

III. CONCLUSIONS

- a. OECD countries are increasingly adopting whistleblower protection legislation.
- b. Costa Rica has not been exempt from the corruption scandals associated with the pandemic, specifically in the case of purchases of masks and other basic necessities from the primary medical care line of infected patients and those who are in intensive care units.
- c. The protection and preservation of the anonymity of whistle-ers are essential tools to safeguard the public interest and promote accountability and integrity in public and private institutions.
- d. Costa Rica has a number of protection mechanisms for whistleblowers, victims and witnesses of acts of corruption that are applied at the criminal and administrative levels. However, there is currently no specific law providing protection to public sector employees against discriminatory or disciplinary action once they have disclosed irregularities.

- e. The enactment of a law on the protection of whistleblowers, or a legal provision specifically related to the filing of complaints or the prevention of retaliation against whistleblowers would be an effective step to promote the prevention of corruption. In the private sector, whistleblower protection can help companies prevent and detect bribery. In the public sector, it can facilitate the detection of misuse of public funds, waste and fraud.
- f. Costa Rica's accession to the OECD and the adoption and implementation of the Guidelines on the Fight Against Corruption and Integrity in State Enterprises represents an enormous opportunity, but a great challenge at the same time, to improve corruption perception rates and mitigate the risks associated with this international scourge.

REFERENCES

- [1] Daniel J. Edelman Holdings, Inc., "ELDEMAN.COM," [Online]. Available: <http://www.edelman.com/trust2017/>. [Accessed 2021].
- [2] OECD, "PUBLIC INTEGRITY," [Online]. Available: <https://www.oecd.org/gov/ethics/recomendacion-sobre-integridad-en.pdf>. [Accessed 2020].
- [3] BBC news World, [Online]. Available: <https://www.bbc.com/world/newsias-47823036>. [Accessed 2020].
- [4] DW.com, [Online]. Available: <https://www.dw.com/en/transparency-international-corruption/C3%B3n-mata/a-56374237>. [Last accessed: 20202].
- [5] National University, [Online]. Available: <https://semanariouniversidad.com/pais/costa-rica-mejora-en-indice-de-percepcion-de-la-corrupcion-en-el-sector-public-of-transparency-internacional/>. [Accessed 2020].

- [6] OECD, [Online]. Available: [https://www.oecd.org/corruption/Costa%20Rica-Phase- 2- Report-ENG.pdf](https://www.oecd.org/corruption/Costa%20Rica-Phase-2-Report-ENG.pdf).. [Accessed April 2021].
- [7] OECD, [Online]. Available: [https://www.oecd.org/corruption/Costa%20Rica-Phase- 2- Report-ENG.pdf](https://www.oecd.org/corruption/Costa%20Rica-Phase-2-Report-ENG.pdf).. [Accessed April 2020].