

# Executive summary

Why study corruption in Sweden? The fact that Sweden does well in international corruption surveys cannot be taken to imply that corruption does not exist or that corruption is not a problem in Sweden. While a social problem may be relatively less severe in one country than in another, this says nothing about the actual extent of the problem. Quite apart from whether the problem is a relatively major or minor one, knowledge about corruption in Sweden needs to be developed. Without knowledge of the nature of corruption in Sweden, it is difficult to prevent and combat it.

The purpose of this report is to summarise and update the research that has been conducted on corruption in Sweden, present some previously unpublished opinion data and draw attention to several neglected areas in studies of Swedish corruption. We do this by answering a number of questions about the extent of corruption in modern Sweden, developments over time, and its causes and consequences. We also discuss measures and strategies for combating corruption. A significant portion of the data presented in this report was developed within the research project *Tillit och korrruption i lokalpolitiken* ('Trust and corruption in local politics', funded by the Swedish Research Council) in which the authors are involved. Our main arguments and conclusions on corruption in Sweden can be summarised in six points.

*Corruption problems should be broadly defined.* In Sweden, corruption has traditionally been defined in narrow legal terms with a focus on bribery. Instead, we believe that corruption should be defined broadly and in the context of unethical behaviour and abuse of power. Otherwise there is a danger that important aspects of the problem of corruption will be ignored, especially in low-corruption countries like Sweden. Our definition of corruption is associated with the research tradition that sees corruption as behaviour that deviates from the formal duties of a public role for

private gain. Like many of our political science colleagues, we believe that corruption should be defined in terms of favouritism: when public office-holders deviate from the norm of impartiality in the performance of their public duties, this constitutes an abuse of power – an abuse of power that is manifested through various forms of improper favouritism in the exercise of public authority. Corruption is thus a special case of abuse of power. When politicians and officials engage in improper favouritism for personal gain, this constitutes corruption. What constitutes personal gain should also be understood here in a broad sense. It may be a matter of (1) financial and other material benefits, (2) both direct and indirect benefits, and (3) benefits for the politician or official themselves, as well as for relatives or friends. Thus corrupt behaviour is not only about bribery; it is also about nepotism and cronyism, and various forms of abuse of trust.

*International corruption indices paint an incomplete picture of corruption in Sweden.* In global surveys of corruption and rule of law in countries around the world, Sweden regularly ranks among the best in class. For example, in Transparency International's well-known Corruption Perception Index (CPI), Sweden has never placed lower than sixth in the list of world's least corrupt countries since the index was first published in 1995. A similar picture emerges in studies focusing on direct experiences of corruption, particularly bribery. It is apparently rare for Swedes to come across politicians or officials seeking bribes or favours in order to perform their duties. But there is also another, less rosy picture of corruption in Sweden. Above all, we would like to highlight something that has received little attention in previous research. There is a gap between how international indices (based on expert and elite perceptions) assess the Swedish corruption problem and how Swedish citizens – living in Swedish society and subject to the exercise of power by the Swedish State – describe the situation. While international indices present Sweden as relatively spared from corruption, its citizens see significant problems with corruption, particularly favouritism such as nepotism and cronyism, in the exercise of public authority. Close to a quarter of the people in Sweden believe that quite a few politicians are involved in corruption, and almost half agree with the statement that it is common for politicians and officials to abuse their position of power and trust to gain advantages for themselves or their close family. There is reason to suspect that international

indices are not fully able to capture the corruption problems that can occur in a developed democracy like Sweden.

*There is a specific Swedish corruption problem.* Comparative country studies show that corruption perceptions in Sweden stand out in two important respects. Firstly, in the European states in general, most citizens believe that corruption is a problem, mainly in the state sector at central political level. In contrast to this general picture, Swedes more often say that if corruption problems exist, they exist in the municipalities, at local level. From a theoretical point of view, this is no surprise, considering how the Swedish welfare state is organised. Several researchers have expressed the opinion that, for this reason, we should be extra vigilant about corruption problems in the municipalities. The tasks that municipalities are responsible for – such as spatial planning, issuance of various types of permits, inspection, procurement and social services – are particularly vulnerable to inappropriate influence. Although exceptions exist, local government services are generally poorly scrutinised – for example, by the media and auditors – compared with how the State is scrutinised. As Swedish corruption problems probably occur more at local level than at state level, we should be somewhat sceptical about Sweden's position in international indices that focus on state level and thus risk not identifying the problems associated with the exercise of power at local level. Secondly, Sweden stands out negatively in citizen surveys in a Nordic context, regardless of whether the surveys focus on central or local levels. This is surprising. The fact is that the Nordic countries have a great deal in common in terms of traditions, culture and institutions, and usually end up with similar rankings in the international surveys that try to capture corruption problems and the quality of the rule of law. The difference is a fact; but we have found no obvious explanation as to why this is so. From our perspective, it is remarkable that in this respect there seems to be something specifically Swedish even in comparison with the other Nordic countries. At the same time, we should point out that personal experiences of corruption are not more common in Sweden than in the other Nordic countries.

*We do not know with certainty whether corruption has increased.* It is difficult to know with certainty how corruption in Sweden has evolved over time. In principle, no systematic studies of corruption in Sweden were conducted before the 1990s; moreover, corruption is a social phenomenon that is extremely difficult to measure.

Despite the difficulty in commenting on this issue, we have tried to argue, on the basis of the research that nevertheless does exist, that the development of corruption may have looked like this: The major problems we experienced in the 1700s and the first half of the 1800s were probably erased at central level at the start of the 1900s. However, quite a number of irregularities remained in the municipalities until the local administrative apparatus was expanded and professionalised in the 1950s, whereupon corruption became rare there as well. That said, some theoretical arguments suggest that corruption may have worsened since the late 1980s in connection with a series of organisational changes in the public sector. At any rate, this theoretical reasoning is not contradicted by survey data. People believe that corruption has worsened in recent decades, and they also believe that corruption will worsen in the future.

*Even a low level of corruption can cause significant social problems.* Perhaps the most important reason to draw attention to corruption and the abuse of trust even in developed democracies such as Sweden is that it is associated with costs. The fact is that corruption has a range of negative effects on the economic and political system. It distorts competition, reduces companies' willingness to invest and curbs the desire for entrepreneurship. Moreover, corruption threatens the legitimacy of the rule of law and weakens confidence in key social institutions and market economy processes. Consequently, the risk is that corruption will simultaneously undermine the conditions for economic development and the foundations for a functioning democratic form of government. Sweden stands out from comparable countries in that its citizens to a greater extent perceive that there is a corruption problem. It has also been found that citizens of the Nordic welfare states who believe that officials are corrupt have less confidence in democracy as a form of government. The results call for reflection. Even if it were true that the actual corruption problems are neither particularly widespread nor have worsened over time, it is a problem that people suspect that such is the case. Thus, there is every reason for concern over the specific Swedish corruption problem and the fact that more and more people seem to believe that it is a growing problem. The question of the socio-economic costs of corruption are difficult to answer. According to the usual measures used in this research, Sweden is still very free of corruption, and thus the method indicates that the socio-economic

costs of corruption are negligible. A hypothetical example, based on a comparison with Iceland and Sweden having a similar problem with nepotism, cronyism and abuse of trust, suggests however that the effects of corruption could result in an annual economic growth rate that is at least 0.25 percentage points lower, which corresponds to SEK 9 billion annually. Another way to approach corruption costs is to focus on public procurement and the problems documented about how this works in the municipalities – and which by all accounts is associated with significant socioeconomic costs. Procurement is also a documented risk area for corruption. The value of public procurement in Sweden amounts to about SEK 500 billion per year, of which about SEK 100 billion is directly procured –without tendering and without transparency. Empirical research suggests that a well-functioning competitive procurement can provide initial cost savings of 20 per cent, that is SEK 20 billion annually, without any loss of quality. There are also long-term benefits of a fair, competitive procurement process that affect the functioning of both the economy and democracy.

*There is nothing to indicate that the size of the public sector results in corruption.* A common starting point, especially among economists, is that the existence and scope of the public sector are a major cause of corruption problems. In large public sector systems, politicians have ample opportunity to abuse their power at the voters' expense. When, on the basis of our questionnaire survey, we create an index to quantitatively analyse corruption problems in Swedish municipalities, it turns out that this index correlates negatively with the size of total municipal expenditure, even when a large number of other factors are considered. The negative relationship remains when we try in various ways try to account for the risk of reverse causality. We therefore find no support for the thesis that Sweden can fight corruption by reducing the public sector, nor does the quantitative analysis provide support for the thesis that municipalities with more women politicians (in municipal councils or municipal executive boards) have less of a corruption problem.

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The main conclusions regarding corruption in Sweden are, in brief, that international corruption indices present the image of a country

relatively spared from corruption, that there is reason to believe that these surveys underestimate the problems of nepotism, cronyism and abuse of trust, that citizens perceive that a significant corruption problem exists, that the problems of corruption are greater in local government services than at state level, and that corruption leads to tangible socioeconomic costs and democratic problems even in a relatively low-corruption country like Sweden. There is thus cause to consider how protection against corruption in Sweden can be strengthened. In general, there are two main ways to combat unethical behaviour, abuse of power and corruption in the public sector. One way is to increase the politicians' and officials' awareness of and responsibility for the norms and values that shape the exercise of public authority. Here, we know that a vibrant public debate on corruption, and on what is acceptable behaviour and what is not, is an effective means of combating corruption. The other way is to design a regulatory framework that increases the detection risk of corrupt behaviour. Here, we know that increased transparency in the public sector is an effective tool. We believe that Sweden can use information technology and openness much more in problem prevention than it does today by creating greater awareness and promoting a prevention debate on corruption. To strengthen the fight against corruption in Sweden, three main policy measures are proposed. The first is to introduce what the international literature calls public expenditure tracking. The intention is to increase transparency and at the same time enable any private citizen to take part in the scrutiny of those in power. Research has shown that openness and public expenditure tracking have worked in countries that are poorer and more corrupt than Sweden. As we see it, Sweden has very little to lose by trying something similar, while the potential benefits of reducing and preventing corruption problem are very large. If relevant data were readily available in standard and electronic format to facilitate processing, the opportunities for scrutiny would increase, and citizens who discover corruption and other forms of irregularities through such scrutiny could be rewarded in various ways. The goal should be to increase incentives for citizens to become more involved in scrutinising the public sector and revealing abuses of power. The second policy proposal is to introduce a review of several selected municipalities. This can be done, for example, by the state initiating an operating and financial review in a small, random sample of municipalities each electoral term. The review

should also apply to local government-owned corporations. The work could be led by the National Financial Management Authority, the Swedish Agency for Public Management or the Swedish National Audit Office (or alternatively a new institution). A selection of only a few municipalities means that they can be reviewed in more detail at a low cost, and because all municipalities run a risk of being selected for review, the procedure may prevent irregularities in all municipalities. Moreover, if the municipality's citizens know that the local government services have been thoroughly reviewed by an external actor, their confidence may improve. Our third proposal is to create more independent local government auditing. This has long been criticised for being toothless and, despite some tightening up of regulations, developments in recent years appear to be moving in the wrong direction. In questionnaire surveys of the political and administrative elite of local government, the percentage who strongly agreed with the statement that the local government audit is an important tool to curb /expose abuse of power and corruption fell from 56 per cent to 43 per cent between 2008 and 2011. To create a distance between the auditor and the audited entity, the audit should be lifted from municipal level to regional level. Auditors employed by the region should have an independent and considerably stronger position in relation to the audited municipalities.

There is also reason to wave a warning flag against two other possible anti-corruption measures. We have been able to dismiss the thesis that corruption in Swedish municipalities is due to Sweden's relatively ambitious welfare policy and the fact that the Swedish public sector is very large by international standards. It would appear, in other words, that fighting corruption by reducing public spending is not a feasible approach. Neither do we find support for the thesis that municipalities with more women politicians have less of a corruption problem. Thus the method that is often recommended in less developed countries – namely, to increase women's political participation – is not supported by our data. There may, of course, be strong arguments for promoting gender-equal political assemblies for other reasons, but we should not expect that more women in local government will automatically result in less corruption. Finally, we would like to emphasise that virtually all anti-corruption measures are associated with costs that must be weighed against the benefits in terms of

reduced corruption if the measures are effective. There is nothing to gain from taking costly measures that have little prospect of success merely for symbolic reasons and on the grounds that doing so is better than doing nothing. This type of action is, in fact, often worse than doing nothing. Additional administrative burdens resulting from the well-intentioned purpose of preventing corruption lead to initiative fatigue within public administration, which does not in any way make combating corruption any easier. Thus, it is better to take a few effective measures that provide politicians and officials in local and state administration with an incentive to combat corruption problems than to overburden them with detailed regulations requiring significant administration and resources. In other words, we should create rules that incentivise public authorities to act in the interest of taxpayers but that do not regulate every expenditure and activity in detail.