Accelerating Digital Transformation Implementation in the Fight Against Corruption?
Evidence From European Countries Before and During the COVID-19 Pandemic

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ABSTRACT

The article is the first to empirically analyze the effects of digitalization on corruption prevalence by using a sample of 27 European countries over the period 2015-2020. The authors utilize the digital economy and society index capturing five diverse aspects of digital transformation: connectivity, human capital, use of the internet, integration of digital technology, and digital public services to reflect digital performance. They also consider influences of specific digital activities, such as online transactions, business digitization, e-commerce, and e-government. The results indicate that digitalization, especially the use of internet services and digital public services, reduced the prevalence of corruption in European countries. However, the effect of digital transformation only appears in the long run. Notably, the authors highlight the importance of online administrative procedures on combating corruption, especially during the COVID-19 pandemic.

KEYWORDS
Corruption, COVID-19 Pandemic, Digital Economy and Society Index, European Countries, Short-Term and Long-Term Effects

1. INTRODUCTION

It is widely acknowledged that a prevalence of corruption is considered as a limp in the walk of human development and the dark side in the history of mankind. Corruption appears at the same time as the establishment of government institutions. No region and no country have been immune from corruption (Elliot, 2016). According to Amundsen (1999), corruption acts like cancer that destroys the functioning of vital organs of any economy, including culture, politics and governments, and economic growth. As stated by OECD (2018), the contemporary world has seen corruption as the biggest obstacle, which causes serious consequences on the investment climate, the misallocation of resources, the effectiveness of public service, and competencies. Corruption is identified as the single

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The greatest challenge to economic and social development by distorting the rule of law and the institutional foundation of the economy (World Bank, 2001). The popularity and seriousness of corruption have made corruption become an attractive topic in the academic arena, not only in economics, but also in sociology, political science, law, and other fields. As argued by Aидt (2003), corruption becomes a meeting place of scientists with the diverse disciplines of social science and history. Hence, the ranges of studies, using both theoretical and empirical models, have revealed not only detailed descriptions of corruption scandals across the world but also its causes and consequences thus far.

The global economy is going through a dark period when the novel coronavirus was declared by the World Health Organization (WHO) in March 2020 (Jebril, 2020; Sohrabi et al., 2020), which cause the world to have been experiencing a series of devastating losses (Gopinath, 2020). Under this circumstance, corruption is even more damaging in times of the Covid-19 health crisis (United Nations, 2021). As revealed by Teremetskyi et al. (2021), governments of countries failed to employ effective anti-corruption measures or assess the risk of corruption precisely, while they are putting an effort to search for a rapid response to the pandemic or strategies to combat the diseases. Hence, the systems of these countries are left open to potential abuse (Kirya, 2021). During normal times, roughly 10-25 percent of all money spend on procurement globally is lost to corruption, and this number is 28 percent of health corruption in the EU (Transparency International, 2021). Since March 2020, there has appeared a wave of corruption-related incidents, diminishing transparency and accountability. According to World Justice Project, there have been numerous causes of price-gouging and lucrative contracts awarded without appropriate procurement processes to well-connected corporations. In particular, Colombia has launched fourteen coronavirus-related investigations on overpricing of emergency goods (The Washington Post, 2021). The secret related to a public contract for 32 million face masks that was awarded to an agriculture company in Italy was uncovered. The concerns about the risk of fraud in the distribution of unemployment insurance benefits were stated by the U.S. Department of Labor Office of Inspector General. At the same time, there have been the risks of corruption in the health sector (Csonka & Salazar, 2021). The U.N have attempted to identified and punished the crimes and corruption related to fake Covid vaccines on the online market and prevented corruption in the distribution of emergency economic rescue packages during and aftermath of the Covid-19 health crisis. There are some corruption risks due to the actions put in place to resolve the health and economic crisis created by the pandemic (OECD, 2020). During the context of Covid-19 pandemic crisis, the recently released 2020 WJP Rule of Law Index reveals that 40% of 128 countries that saw their corruption score decrease, as compared to 21% that increased1. It is estimated that corruption in the health sector costs $500 billion per year (World Justice Project, 2020). The World Justice Project conducted the survey in 126 countries to show that the average estimate of funds illegally diverted is 29 percent.

Under the quick spread of the Covid-19 pandemic and the seriousness of corruption during this time, the digital transformation is entrenched (Bayram et al., 2020). According to Autio et al. (2018), digitalization can be defined as the process of applying digital technologies and infrastructures in diverse aspects of businesses, the economy, and society. Many individuals nowadays are familiar with the use of information technology in production and business. The digital transformation process is strongly employed in countries when their governments took extraordinary measures like lockdown and social distancing that make the role of remote working and digitalization more important (Dingel & Neiman, 2020). Digitalization has become an evitable trend and a useful tool to help the economies overcome difficulties caused by the Covid-19 health crisis. There are many benefits that digital transformation creates. For example, digitalization significantly affects the way that businesses operate globally (Dethine et al., 2020) and provides the business with a competitive advantage in the global economy (Lee & Falahat, 2019). Digitalization can be considered a tool for promoting internationalization (Dethine et al., 2020). During the time of crisis, digitalization can help to attenuate the adverse influence of Covid-19 on exports by facilitating access to goods and services (OECD, 2020). digital infrastructures stemming from the digital transformation process,
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