

7. CONCLUSIONS AND RECOMMENDATIONS

7.1 Key findings

The starting point of this report was to describe the Member States positions on organised crime and corruption based on the available quantitative data: 125 corruption, crime, and social indicators. The main working hypothesis for causality is that organised crime uses corruption as a tool to achieve its goals. Applying regression and correlation analysis, we determined not only the existence of a relationship, but also the factors which have statistically significant influence on the levels of corruption, as well as the strength and direction of their influence. We also explored the question of reverse influence, i.e. whether higher levels of corruption induce higher levels of organised crime.

As a first step of the statistical analysis, the 27 Member States were grouped into separate clusters according to selected indices that measure organised crime, corruption, government effectiveness, the police, macro-economic indicators and indicators of the grey economy. Then we applied a more complex 'neural networks' clustering technique to generate a "portrait" of each cluster of countries.

The results from the first stage of **statistical** analysis showed a distinctive regional picture. The highest rates of corruption and organised crime exist in countries such as Bulgaria, Romania, Poland, and Italy. At the opposite end of the spectrum are the Scandinavian countries, where the indicators measuring corruption and organised crime are among the lowest compared to the other clusters. Historic and socio-economic characteristics set some countries (France, Italy, and to some extent Spain) apart and they could not be grouped into clusters with other MS.

The limitations of the quantitative approach, though, are significant, as none of the indicators or surveys used has been designed to measure specifically the relation between corruption and organised crime. The qualitative data from 156 in-depth interviews and review of literature aimed to reveal the specific objectives that corruption serves to criminals, as well as the historic, and socio-economic factors that determine these needs.

The study reviews how organised crime operates in various countries and influences targeted institutions. As it turned out, there is surprisingly little systematic research and institutional monitoring on this topic in the EU.

Political and administrative corruption is usually perceived as most common and most problematic. However, respondents rarely linked corruption with organised crime. The major reason is that 'white collar crimes' are commonly seen as distinct from 'organised crime'. In EU-10E countries, where this distinction is less pronounced, political corruption was more likely to be contributed to 'organised crime'. In EU-10E countries the transition from planned to market economy, accompanied by radical shifts in the overall social structure, resulted in fusion of the 'underground' and the 'elite'. In EU-17 (with the exception of Italy and

Greece), political corruption was usually only associated with 'white collar crime', while politicians, even at the local level, almost never associate with criminals involved in drugs distribution or prostitution (UK, FI, SE, DM, IE).

The study found that law-enforcement institutions were most directly affected by pressure from organised crime. The major factor defining the degree of vulnerability of police is the effectiveness of the public institutions working closely with police (prosecution and courts, and indirectly tax administration and customs). Even a single ineffective or weak public institution can make the police particularly vulnerable, as indicated by interviewees in many countries (IT, EL and most EU-10E countries). Internal factors also predetermine police susceptibility to corruption. The low level of prestige of the police forces leads to the recruitment of officers of low education and problematic behaviour. The lack of meritocracy in the police prevents the exposure of unprofessional, inefficient or corrupt behaviour and does not reward high performance (IT, EL, EU-10E). In some countries, the police subculture can act in the opposite direction, limiting and preventing corruption (UK, NL, DE, FI, DK, SE). Political and judicial influence over the police can facilitate its corruption by criminal networks. In certain countries (BG, RO, LV, HU, IT and FR (Corsica)) local government officials, connected with criminal networks, influence the appointment of local high level police officers. Pressure from prosecutors and magistrates can obstruct the police investigations of influential businessmen who are part of the criminal networks.

Another key factor determining the influence of organised crime on police and investigation officers is the effectiveness of Internal Affairs Units (IAU). Data suggests that the development of strong IAUs in the UK has resulted in sharp decline in police corruption in the 1980s, despite the large criminal market in the country. Similar developments are observed in eastern Germany. On the other hand, weak IAUs that focus on reporting crime statistics and investigating cases of petty corruption (BG, RO, EL) cannot limit the influence of organised crime on law-enforcement units.

Customs in most EU-10E countries (BG, RO, PL, LV, LT, HU, SK) and Greece were found to be seriously affected by corruption from organised crime. The reasons are both the tradition of mass smuggling in the 1990s and the outside land borders (while most of the old member states no longer have such borders). Customs officers are more frequently involved in supporting channels for consumer goods than smuggling of illegal goods like arms and drugs. The most typical cross-border criminal networks deal with cigarettes (EL, BG, AU, CZ, RO, MT, IE, HU, LV, LT), alcohol (BE, CZ, BG, RO, MT, IE), oil and oil products (EL, BG, MT, IE, PL, CZ). In some of the countries with high level of customs corruption politicians at local and national level exert strong influence on customs officers. Intensive collaboration with police and tax authorities is also common.

The least affected institution in EU is the judiciary, particularly the courts, as they are much less targeted by organised crime than the police or

politicians. The judiciary in EU-17 is sporadically corrupted by white-collar criminals, but as respondents indicated, these processes remain well hidden from the public eye. Political influence over the courts is one of the main factors of corruption vulnerability of the judiciary, especially in countries with high levels of political corruption.

The study revealed that the private sector is affected by organised crime in a specific way. The industries that are most likely targets are the 'night economy' (bars, entertainment houses, pawnshops, etc.), and also the financial, gambling, and real estate sectors. The major attraction for organised crime is the opportunity for money laundering offered by these industries. Real estate was identified as a sector with a high vulnerability of private sector corruption not only in EU-10E countries (CZ, RO, BG, SI, PL), but also in many EU-17 countries (SE, ES, DE, AU, PT, BE, IR, NL). Another industry in which organised crime invests is logistics and transportation companies, as they can be used in various smuggling schemes. Certain type of companies, such as law firms, accounting firms, and service providers are in high demand by organised crime as middlemen. Such companies may facilitate money laundering and white-collar crime. Various techniques are applied: corrupting of employees, in particular in corporations that operate similar to public institutions, agreements with senior management and company owners.

7.2 The impact of corruption

The impact of corruption used by organised or white-collar criminals is difficult to estimate as its extent in the EU remains unknown. Corruption is only one of the tools that criminals use to facilitate their activities. Therefore, one should understand the overall impact of organised and white-collar crime, and only then analyse what portion of this impact involves the use of corruption.

Few countries have tried to quantify the impact of organised crime. In the UK, the Home Office estimated that economic and social costs caused by organised crime in the UK are between £20 and £40 billion each year. Only a small part of these harms could be attributed to corruption, as in most cases, criminals try to avoid the use of corruption, as this is an additional expense. To fully understand the impact of corruption, more research, and particularly studies involving offenders are needed.⁷⁴

⁷⁴ To illustrate this point, one could use the example of drugs market. Although the costs of drugs-related criminal activities could be estimated (e.g. in the UK they £17.6 billion), to understand what portion has involved corruption, one could do a study of smuggler or drug dealers and understand, how often they have used corruption to smuggle and distribute drugs. If one establishes, for example, that only in 10% of the cases or only 10% of the criminal networks admit to use corruption, then, the impact of corruption could be quantified to be £1.76 billion. As the current report has shown, different criminal activities require different intensity of corruption use, and these differ widely across the EU. Therefore, a realistic estimate would be a very ambitious task.

TABLE 19. THE IMPACT OF CORRUPTION CAUSE BY ORGANISED CRIME

Societal harms	Harms to individuals	Business harms
The impact of fear and distrust caused by organised crime	Losses to individuals from organised frauds	Losses to businesses through fraud and the costs of preventing it
Losses to taxpayers from smuggling and fraud	Victimisation by drug-related crimes, including gun crime	Victimisation by drug-related thefts
The costs of dealing with organised crime and its effects	Harm caused by drug abuse	Loss of revenue to legitimate businesses from counterfeiting or piracy
Exploitation of trafficked persons		

Source: Home Office (2009, p.9)

7.3 Recommendations

7.3.1 Recommendations to the European Commission

Although presently monitoring of anti-corruption policies is carried out through the OECD or Council of Europe’s GRECO evaluation reports, neither of these assesses the nature or scale of corruption. The issue of corruption is of paramount importance to the EU, and an independent monitoring mechanism should be considered.

- **Developing an independent corruption monitoring mechanism:** at present, information about corruption or anti-corruption policies in Member States is not collected systematically. The experience from Europol’s OCTA reports shows that relying on formalised responses from Member States has many limitations (especially when findings could be self-discrediting to Member State governments). The UNODC UNCAC Monitoring ‘self-assessment checklist’ is also unlikely to provide meaningful tools for assessments of corruption issues and anti-corruption policies.

The data collection and analysis model adopted by EU ‘watchdogs,’ like the Fundamental Rights Agency (FRA), is a more appropriate approach. An independent body should collect information that governments might consider negative and, as a result, might not be forthcoming in supplying. A watchdog agency could report directly to the European Parliament to ensure maximum independence and public accountability.

The above approach will allow the EC to take subsequent steps in developing a comprehensive monitoring mechanism:

- **Developing a network of independent (non-government) information analysts** that regularly collect and analyse official and alternative data on corruption and anti-corruption policies (similarly to the RAXEN network of National Focal Points that the FRA uses to collect data on discrimination and human rights issues). Independent academic or research institutions could be contracted to regularly monitor and collect information. The present research

showed that official anti-corruption bodies do not have the necessary level of independence, nor analytical capacity, to provide adequate monitoring and data collection.

- **Developing data collection tools:** Periodic corruption surveys by Eurobarometer should be made annual or bi-annual and expanded to survey businesses about corruption experiences **and** perceptions. In addition, qualitative data should be collected and analysed. Quantitative survey methods cannot adequately capture corruption related to white-collar and organised crime.
- **Developing benchmarking indicators:** Like those developed by non-profit organisations, such as Global Integrity, such benchmarks should be developed to regularly monitor progress in anti-corruption policies and their implementation. Such benchmarks could also draw on criteria or monitoring tools developed under the UN Convention against Corruption, or be complementary to GRECO and OECD evaluation mechanisms.
- **Collect information on powers, capacity and policies of institutional anti-corruption units** (in particular in police, customs, judiciary, tax administration, military, and national/local governments): institutions with internal anti-corruption units and proactive approaches detect a higher amount of corruption cases and formulate more elaborate anti-corruption policies. Such data will allow watchdogs to adequately evaluate official statistics and develop benchmarks.
- **Include alternative sources of information:** Official sources of information, and standardized methods of research, bring only marginal results. Aggressive methodologies that include interviews with offenders, private sector representatives, former law-enforcement, judiciary, or financial regulator employees, as well as fraud investigators and lawyers, should be exploited for meaningful information.
- In line with Article 83 of the Lisbon Treaty (developing ‘minimum rules concerning the definition’ of corruption in Member States legislation) the EC should **develop detailed guidelines to encompass a broad range of criminal offenses under the definition of corruption.** At present, most Member States do not have legislative definitions of corruption, while some have special anti-corruption laws. As this report has shown, corruption within the various public institutions (police, customs, judiciary, and government administrations) can be very different. The EC (with the help of Europol, Eurojust, and OLAF) can develop a set of recommended guidelines for acts that should be considered as ‘corruption’ for each type of public institution.
- **Harmonise statistics on institutional corruption:** The harmonisation of the definition of offenses that constitute ‘corruption’ will set the stage for harmonising institutional statistics. Comparable data on corruption in the police, customs, the judiciary or the public sector is key to monitoring and evaluating Member States’ anti-corruption efforts. At present, efforts regarding criminal justice harmonisation are limited to certain common criminal offences (homicides, car-theft,

etc.) The Lisbon Treaty (Art. 83) opens the door to moving towards comparable institutional statistics on corruption. Europol and Eurojust could play an important and leading role in developing commonly acceptable guidelines, such as on police offenses that should fall under the corruption umbrella, or list the recommended powers and capacity of Internal Affairs Units.

- **Adding a set of corruption-related questions to the EU Survey to assess the level and impact of crimes against business:**⁷⁵ police and the judiciary collect little or no information on private sector corruption. Yet business crime surveys have detected a high share of corruption offences (internal fraud) that are not reported to the police (e.g. PWC). Therefore, surveys would provide the most comprehensive understanding of corruption in the private sector. The ongoing development of such EU surveys presents an opportunity for the EC to commence monitoring private sector corruption, as well as the organised crime involvement in such cases. Such monitoring would imply adding a small set of sub-questions clarifying the source of external corruption and their association with organised criminal structures.
- **Developing practical anti-corruption training programmes drawing on EU27 experiences:** The lack of sufficient empirical data and knowledge has meant that anti-corruption training has often remained at a theoretical and superficial level. Many institutions have so few detected cases that developing profiles or case-based training materials is difficult. Therefore, creating a database of corruption cases from across the EU would help develop adequate training materials. These would draw on knowledge accumulated throughout the EU, particularly in countries that have more experience. Such an EU-level approach is appropriate in view of criminals' increased mobility (and corruption tactics) within the EU.
- **Increase funding support for empirically based research on corruption through instruments such as DG JLS grants or Framework Programme 7 research grants.** The collection of data on organised crime and corruption is slow, expensive and potentially dangerous. The report showed significant **gaps in academic research** in most Member States. It is unlikely that Member States would fund research programmes in such sensitive (and potentially self-discrediting) topics. Therefore, EU research funding instruments might provide the necessary distance and freedom to carry out this research. Additional empirical data would help law-enforcement better understand the phenomena, especially in countries where public institutions do not carry out such research internally. In addition, it could also jumpstart policy debates and stimulate policy changes in areas where most governments are extremely secretive.

⁷⁵ The development of such study was started with Tender No. JLS/D2/2008/01 "The development of an EU Survey to assess the level and impact of crimes against business – Stage 1: Requirements gathering".

7.3.2 Recommendations to Member States

- **Conduct impact evaluation of anti-corruption policies.** The present report showed a great variety of Member States' anti-corruption measures. Even though some of them have a 'self-evident' impact, representatives of institutions were generally not familiar with professional impact evaluations (either ex-ante or ex-post). As a result, it is difficult to claim 'what works' or to speak of 'best practices'. Member State policy oversight institutions should either carry out audits or commission impact evaluations on key anti-corruption initiatives.
- **Public institutions should share information with independent researchers.** In some countries (BG, IT, NL, UK), law-enforcement institutions have open to work with academics and independent researchers. In others, (EL, ES, RO) this cooperation has been discouraged.
- **Improve cooperation and share corruption-related information:** anti-corruption bodies or anti-corruption departments within government bureaucracies (including within the police) have poor understanding (1) of organised crime (2) of the corrupting influence of organised crime and (3) the threat it poses. 'Organised crime' is considered a specific area where anti-corruption bodies have little professional knowledge. Such lack of knowledge undermines the effectiveness of these bodies and their anti-corruption policies.

Member States should develop mechanisms for increased cooperation between anti-corruption units, especially policy making anti-corruption bodies, on one side, and organised and white collar crime investigators, on the other. Periodic meetings and exchanges of reports and data could increase cooperation. For instance, Europol's national OCTA could be shared amongst all anti-corruption bodies or oversight departments in relevant public institutions.

- **Increasing internal institutional detection capacities:** at present, all Member States have an established mechanism to respond to corruption cases. Nevertheless, this is a reactive, rather than proactive, approach to detecting corruption. It is an approach that relies on discovery by chance, rather than on scrutinising or using aggressive approaches, such as provocation. The use of internal corruption investigative departments leads to increased corruption detection rates. Yet many law-enforcement institutions (in particular customs and tax authorities) do not have 'internal affairs' departments at all. Establishing internal investigation departments across public institutions, with investigators knowing about particular corruption schemes and culture of the institutions, is bound to have a strong preventive effect on corruption.
- **Institutional monitoring mechanisms:** Member States should increase their internal understanding and regularly monitor **corruption pressures**. Internal surveys could be designed and periodically conducted to better understand the threat of corruption. This could

be done across institutions (customs, police, public administration or judiciary). It would also identify vulnerable departments, positions or regions where there are heightened risks from corruption. There are many ways that surveys can be designed not to be self-incriminating, yet still reveal the scale and nature of corruption threats. Best practices, although not public, already exist: SOCA carries out reviews on corruption threats from organised crime on police in the UK, Sweden on customs corruption; Bulgarian Ministry of Interior on police corruption.

- **Increase training and raise awareness amongst public servants and the private sector:** In many Member States, the issue of corruption is a taboo. The official position of some institutions and governments is that corruption is not a problem and proactive measures are not needed. Such complacency gives organised criminals an opportunity to exploit the absence of anti-corruption systems. Law-enforcement and the judiciary should conduct mandatory corruption-awareness training programmes that are based on real cases and institutional experience.