14:00-15:00 High-risk areas of corruption in the EU

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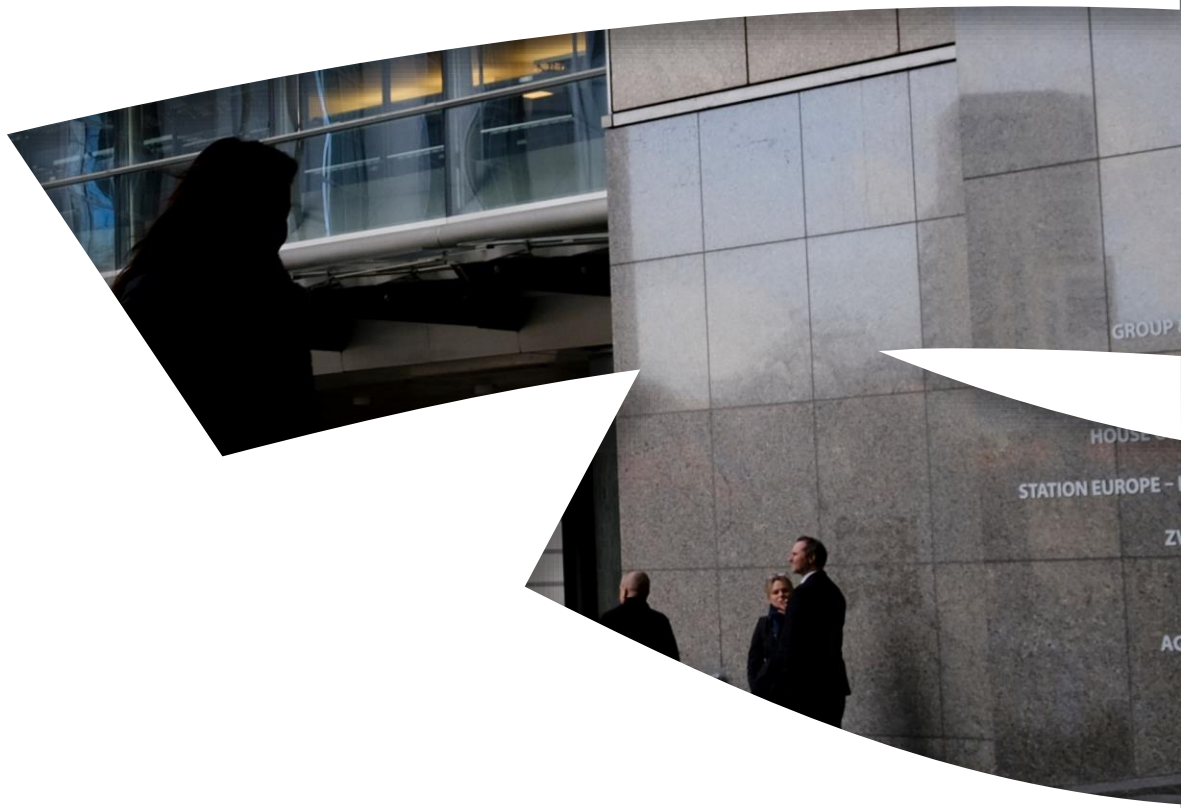


Comparative Report

High-Risk Areas of Corruption in the EU

A Mapping and In-depth Analysis

16/10/2024

Agenda

1. **Objective and methodology**
2. **Key findings**
   - Mapping
   - In-depth analysis
3. **Interactive discussion**

Aim of the study

- **Operational aims**
  - A mapping of high-risk areas of corruption in EU Member States.
  - An in-depth analysis of the *character*, *causes*, and *consequences* of corruption in a selection of six high-risk areas.

Key concepts

Corruption

Baseline definition of corruption as *"the abuse of entrusted power for private gain."*

A 'corruption machinery' perspective: corruption and corruption-related activities and phenomena

Bribery, favouritism, nepotism, extortion, CoI, fraud, money laundering, tax evasion, hidden assets, organised crime, online scams.

High-risk area

- ***Frequency***
- ***Theory***
- ***Consequences***
- ***Anticipation***

Methodology

Mixed methods approach

- Secondary data collection
- Expert survey
- Expert interviews

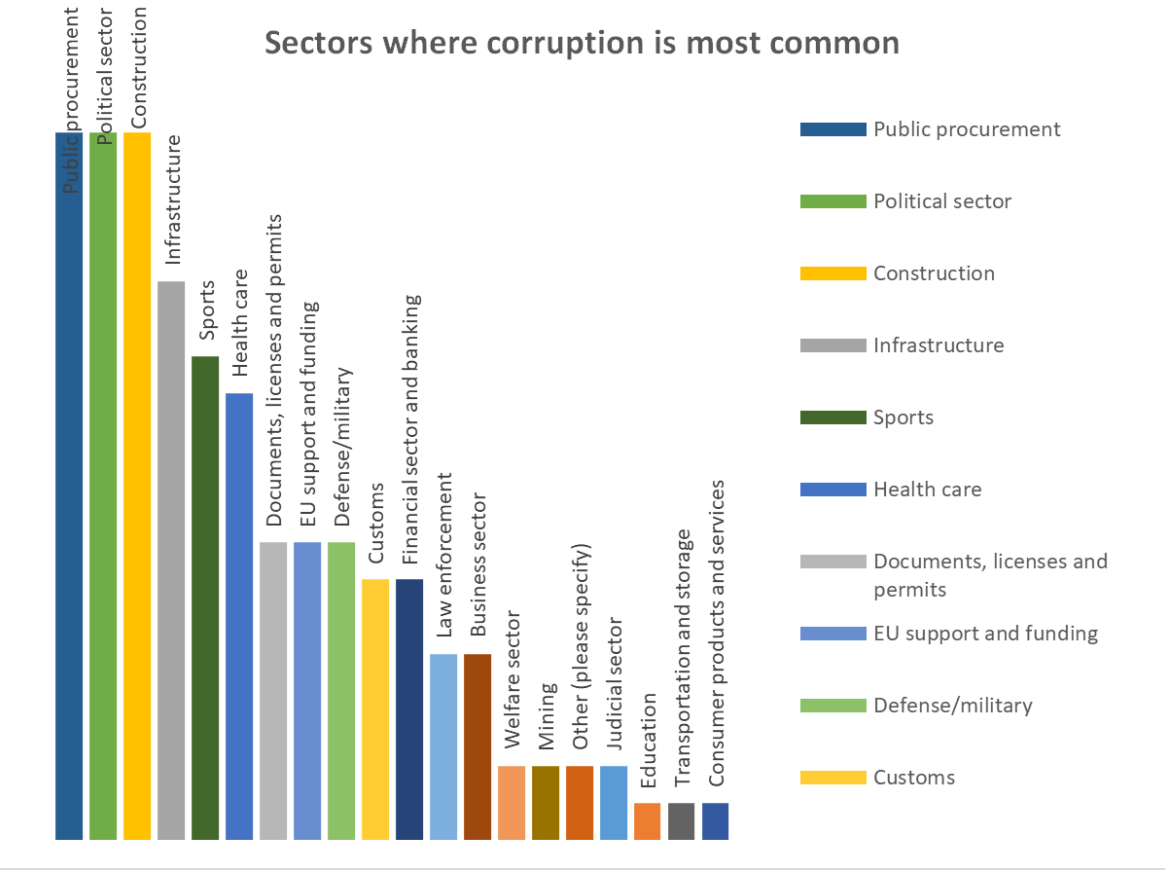
Strategy for case selection for in-depth study

- Mapping
- Expert input through interviews and consultations
- Rising priorities on the European and global anti-corruption agendas
- A cross-section of society and a broad range of stakeholders
- Presence of all major forms of corruption
- Links to other high-risk areas

Mapping: High-risk areas from desk research

Frequency	Theory	Consequences	Anticipation
Public procurement	Public procurement	Will vary depending on values and priorities	Political finance
Construction & Infrastructure	Construction & Infrastructure		Defense
Political sphere	Mining		Digitalisation
Business sector	Transportation & Storage		Energy & Climate
State-owned companies			Migration
Political Finance			Sports
Welfare sector			

LRCC survey: Common forms of corruption



LRCC survey: High-risk areas

Frequency approach to risk

Public procurement

Construction and infrastructure

Healthcare

Financial sector and banking

Business sector

Documents, licenses and permits

Anticipatory approach to risk

Political sector

Defence and military

EU Funds

Customs

Sports

Focus areas of in-depth analysis

- Procurement
- Health sector
- Financial sector
- Construction & infrastructure
- Defence & security
- Sports

Structure of in-depth analysis

Three themes in focus (the 3 Cs):

Character of corruption

Causes of corruption

Consequences of corruption

Character of Corruption

Many of the actors, goals, and tactics are the same

1. **Many common elements**: bribery, fraud, embezzlement, favouritism, conflict of interest, money laundering, tax evasion, organised crime, front companies;
2. Elected officials, civil servants, private companies, consultants and organised crime groups all play important roles to **keep the corrupt machinery intact, operational and profitable;**
3. Professional enablers such as attorneys, accountants, investment and tax advisors, and real estate brokers are **emerging as important conspirers** who often avoid detection and prosecution;
4. Increasingly **cross-border** in character;
5. Dual role as **perpetrator and victim**.

Causes of Corruption

The fundamental causes do not vary significantly across the areas

1. Corruption occurs because **it benefits the interests of powerful corrupt actors**, including politicians, high-level public officials, business elites, and organized crime;
2. Corruption occurs when and where the **expected rewards outweigh the potential costs;**
3. Corruption occurs where **corrupt actors master and exploit new products, industries and technologies** before public authorities have the chance to set up effective oversight systems;
4. Shared **features that explain vulnerability to corruption** include large amounts of funding, complex institutional arrangements, weak institutional and regulatory systems, and lack of transparency.

Consequences of Corruption

The consequences of corruption are massive across all six areas

1. The types and scale of victims, financial costs and social harm vary somewhat, but **corruption always benefits a relatively small but powerful corrupt elite** at the cost of the many;
2. Financial **losses and missed investments** for individual firms, **distortion and misallocation** of public investments and resources
3. Loss of **trust** in public institutions, and loss of **life chances and well-being** for the broader population;
4. Many of the **consequences are distributed across society** and thus difficult to identify and measure.

Main differences across the areas

- Corruption in some of the areas more **international in character**
- Some areas more vulnerable to **organised crime**
- Varying degree to which **individual citizens** suffer directly compared to the **general public**
- Varying roles and culpability of the **private sector**
- Different use of **online tricks** and cybercrimes
- Varying damage to **public health and well-being**

Takeaways and implications

- Corruption is a **single, unified problem** – a closely related family of activities centred around greed, power, deception, manipulation, threats, opportunity, incentives, and planning
- Corruption in many high-risk areas a **systemic and institutionalised problem**
- **Powerful vested interests** – including politicians, high-level public officials, businesses, and organised crime – **have much to lose** from the effective fight against corruption
- **Professional enablers** such as attorneys, accountants, investment and tax advisors, and real estate brokers are emerging as **important conspirers**

Takeaways and implications

- Breaking out of systemic corruption is often **"costly" in the short term even for ordinary citizens**
- Laws and policies important but **not enough to curb corruption** where it is systemic
- A surprisingly **large knowledge gap** is inhibiting understanding methods and players
- A **blurred line** between the definitions of "'corruption" and "crime"

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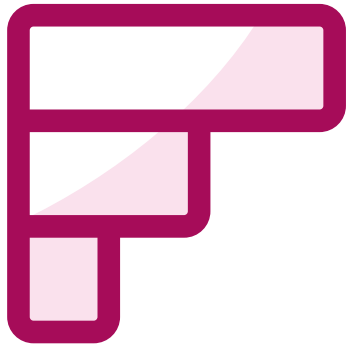

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