

Examining the links between organised crime and corruption

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(...)

Introduction

Purpose and scope of the study

The broad objective of the study is to identify and analyse the links between organised crime and corruption, using supporting empirical evidence on the extent of the linkage between the two phenomena in EU Member States, as well as qualitative analysis with respect to the causes and dynamics behind this relation. The **main objectives** of the study are to:

- Identify the causes and factors which bring about the use of corruption by organised crime within the public and private sectors, as well as the scope and the impact on society and institutions;
- Identify best practices in preventing and countering the collusion between public and private sector officials and organised criminals;

- Drawing on the understanding of the above objectives, identify a framework for a future assessment of trends in the links between corruption and organised crime, as well as for corresponding countermeasures.

Methodological approach

The methodological approach of this study includes a broad collection of secondary (literature and statistics) and primary data (interviews and field visits), followed by a rigorous quantitative (statistical) and qualitative (software aided) analyses. (...)

The **data collection** for the study was based on four key elements:

- **Literature:** included academic works, government reports on corruption and organised crime; reports by research institutes, international organisations (GRECO, FATF), or private companies. The literature reviewed was in Dutch, Italian, Greek, Bulgarian, French, Spanish, Russian, Serbo-Croatian and English. Media sources in almost all Member State languages were also consulted.
- **Statistical and survey data** of the 105 indicators (from surveys, indexes and statistical data) were assembled and analysed, and 19 of them were then used for further statistical analysis. (Annex 4). In addition, some MSs provided various types of statistical data.
- **Semi-structured interviews** with law-enforcement, judicial, government officials and private sector representatives, academics, and journalists were carried out in all 27 Member States over the phone or in person.
- These were expert interviews as the interviewees were asked to provide their expert *opinion* and assessment. In total, 156 interviews were conducted: 69 were face-to-face and 87 interviews were conducted over the telephone. The average length of the phone interviews was approximately one hour, and for the face-to-face interviews about two hours. The questionnaire used is presented in Annex 1.
- Six **country studies (case studies)** were carried out: namely, for the Netherlands, Greece, Italy, Bulgaria, France, and Spain. The countries were selected based on the quantitative and preliminary qualitative analysis. Each case study was based on approximately ten interviews, literature, and media review. The help of locally based academics and researchers was solicited for all studies.

The **data analysis** was based on triangulation of the collected data and combined quantitative and qualitative research:

- **Review of secondary literature:** the approach taken included a review of key academic journals and relevant academic literature, as well as a review of grey academic literature, such as national organised crime reports, or policy analyses published by non-governmental organisations.
- **Statistical analysis:** Based on the 19 selected indicators of corruption and organised crime, the main types of statistical analyses included:
- a cluster analysis to determine groups of EU member states with similar characteristics related to corruption and organised crime; and (2) multiple regression analysis to determine the ways in which corruption, organised crime and a range of other socio-economic factors were related. The methodology and technical results of the cluster analysis is provided in *Annex 8*. The technical

results from the multiple regression analysis will be provided in an annex. The conclusions of both analyses are included in the report.

- **Qualitative analysis** of interviews was aided by the NVivo software. This analysis included coding, identifying, and distilling common themes in the interviews, and supporting them with evidence from the secondary literature and statistical analysis.

Data access and representativeness

The methodological approach outlined above, and in particular the reliance on qualitative measures and subjective opinions of a non-representative sample of interviewees is a significant drawback to the methodology about which the authors are well aware.

For this reason this report makes no claim that the particular opinion of an interviewee reflects the real state of affairs in given Member State, or a particular institution. To strengthen this point, the authors have largely avoided making assertions about state of affairs in a Member State, unless interviewees from this Member State and supporting literature agreed on a conclusion.

This point is strengthened further by the fact that throughout the report, the interviews are quoted only by using the country abbreviations. The interviewees were strictly asked to provide their expert opinion and personal observations. Most interviewees stressed the point that their knowledge was solely based on personal experiences, as no systematic studies existed in their institutions or countries.

Nevertheless, the report can make the claims that:

- At the EU level, and in particular in the countries case-studies, there is a higher degree of validity of the results, despite, in most cases, the lack of in-depth empirical studies.
- The opinions provided have a high-degree of professionalism as in every Member State, the leading experts on the subject matter were interviewed.

Even more importantly, since the interviews were **semi-structured, and the questions were open**, a number of issues and topic were brought up by interviewees. The authors are fairly certain many of the same issues could have been observed across the EU, or in some of the other Member States, if a more extensive study were to be carried out.

Therefore, one should not conclude that since a corrupt practice or anticorruption measure is mentioned only by one interviewee, it does not exist elsewhere.

Moreover, it must be noted that the quality of interviews varied. The sensitivity of the issue, and fear or negative consequences prevented many interviewees from being fully forthright. To increase the level of trust, local experts on corruption and organised crime were hired for all case-studies, and on many occasions conducted interviews with individuals with whom bonds of trust already existed. In all countries ‘official’ and ‘unofficial’ accounts of the phenomenon were collected.

The collection of data was further complicated by the claim of representatives of some official institutions in Member States that no organised crime exists (CY, FR) or corruption (MT, DK) in their countries, or that organised crime does not use corruption. (...)

Defining ‘organised crime’ and ‘corruption’

(...)

Our working definition of “organised crime” combines the concepts of traditional **‘organised crime’** (e.g. drugs, illegal prostitution, trafficking of human beings, vehicle theft) and **‘white collar crime’** (e.g. financial, tax, VAT, real estate frauds, embezzlement). In either case, our unit of analysis is either the ‘illegal market’ (e.g. the drugs market) or the illegal activity (e.g. VAT fraud). The focus therefore is on how corruption is used by participants (criminal groups or networks) in the respective illegal market or activity. Throughout the report, unless specifically distinguished, the term ‘organised crime’ is inclusive of white-collar/corporate illicit practices.

(...)

A similar logic is applied with regard to our **working definition of corruption**, which excludes administrative and corporate abuse outside the scope of organised criminal activities.

(...)

While some limit the term ‘corruption’ only to the public sector, private sector corruption will also be considered in this report.

(...)

One complex issue that spreads across both definitions ‘corruption’ and ‘organised crime’ is the question of how to treat the direct participation public officials in criminal activities: particularly in cases where they are not simply abusing their ‘public powers’, but engaging in a range of criminal activities, or managing a criminal enterprise. Examples could be:

- cases of police officers running their own prostitution rings or drugdistribution networks;
- politicians covertly controlling companies that engage in criminal behaviour;
- cases where criminals have managed to accumulate sufficient legitimate power than to directly participate in local politics (‘state capture’).

For the purpose of the present report, we have treated such cases as examples of ‘corruption’, even though public officials and organised crime are one and the same.

Corruption and organised crime: evidence from the literature

(...)

Mapping corruption and organised crime in the EU

One of the study's objectives was to develop typologies of common ways organised crime and corruption relate to each other in different groups of EU Member States. An analysis of survey and statistical data on corruption and organised crime attempted to develop such typologies. **This statistical analysis** (presented below) **did not result in clearly circumscribed groups of countries, however**. The various statistical analyses resulted in identifying 7 and 11 groups of countries, with 5 countries forming a cluster of their own. The policy value of these results was limited, while the available statistical data on which they are based is questionable in many ways.

The second step in developing typologies involved an **analysis of qualitative information** from interviews and case studies. The case studies were selected so that they either represented one of the main clusters or had formed a single cluster (e.g. France, Spain, Italy). The collection of this information took into account the shortfalls of quantitative data analysis. The methodological and resource limitations meant that some compromises had to be made, and some countries were not included as a case study, although they were representative of a particular cluster. The results of the case studies and the interviews showed that assigning countries to a particular cluster would be speculative for the following reasons:

- In some countries, reliable public data on organised crime is only fragmental (e.g. studies on particular illegal markets AT, ES, IE, SK, SL) or totally absent (CY, LU, MT, PT). Other countries provide annual public reports on organised crime (DE, BE, IT, NL, UK), or at least independent criminological analyses that provide some insight.
- In some countries (CY, DK, IE, MT, PT), anti-corruption bodies or departments that were contacted were not able or willing to provide information on corruption or denied the existence of significant levels of corruption.
- In some cases, independent interviews and research (e.g. media sources and personal experiences) nevertheless pointed to the existence of corruption. At the same time, neither systematic studies either on corruption and organised crime had been conducted, nor were authorities able to provide reliable information.

Despite the above limitations, we present statistical evidence for two aspects relevant to the study in the sections below:

- Linking corruption and organised crime;
- Searching for **types of EU Member States** where corruption and organised crime relate in a specific way.

(...)

Linking corruption and organised crime: statistical evidence

(...)

The statistical analysis (...) confirmed the hypothesis that a statistically strong relation ($R=0.721$) exists between organised crime and corruption. Further analysis revealed another noteworthy result. The effectiveness of government and institutions proved to have an even stronger ($R=0.943$) impact on corruption than organised

crime. The effectiveness of government institutions also had strong impact on organised crime levels ($R=0.872$).

The model also demonstrated a statistically significant relationship between general economic indicators (GDP per capita in PPS), corruption ($R=0.741$) and organised crime. Therefore, general economic conditions have about the same impact on corruption as organised crime (e.g. bribes). The figure below illustrates the differences that could be observed between EU-17 and the south of Europe (ES, IT, EL), and EU-10E.

(...)

The analysis of EU-wide data demonstrated a statistically significant correlation between the grey economy and Corruption ($R=-0.647$), although the interpretation of that significance remains a matter of speculation. A similarly significant relation exists between organised crime and the grey economy ($R=-0.575$), indicating that the expansion of grey economies is related to increases in organised crime. (...)

Statistical analysis showed that no particular connection existed between the size of some criminal markets and the level of corruption within the targeted institutions (see Figure 10 below). This finding alludes to possible flaws with the data as it sharply contrasts with evidence from interviews.

The analysis showed that Money Laundering (through non-bank channels) had the best defined relationship with four out of five types of institutions (i.e. customs, judicial, political and administrative corruption). Money laundering is crucial for the functioning of any type of white collar or organised crime activity. In this sense, it could serve as a proxy (indirect measurement) to organised crime in general. The analysis showed that the relationship between money laundering and most types of institutional corruption was very strong.

Clustering Member States—quantitative approach

(...)

We draw attention to some indicators that distinguish country clusters below. (...)

Cluster 1 (Denmark, Finland, Sweden) combines the countries with the best scores in practically all indicators: low levels of organised crime (6.6) and corruption (2.459), with strong and effective institutions (2.079).

Cluster 2 (Austrian, Belgium, Germany, Ireland, Luxembourg, Slovenia, Spain, UK) is the largest by population and GDP. Together with Cluster 1, these countries enjoy the best control of corruption (1.721), the lowest level of organised crime (6.0), the highest scores for rule of law and the highest GDP per capita. Still, there are some differences in scores between the two clusters. The Scandinavian countries have a clear advantage in terms of control of corruption, rule of law and effective government, while organised crime is about the same in the two clusters, and GDP is higher in Cluster 2 countries. Spain is probably the odd member of this cluster, and it verges on forming its own cluster.

Cluster 3 (France) France is unique by some key indicators and therefore could not be included in any of the other clusters. It is similar to cluster 2 by its large

population and GDP. But in terms of its control of corruption and the frequency of bribes and the effective rule of law, France scores worse than clusters 1 and 2 (1.32, 8.24, 1.304).

Cluster 4 (Estonia, Latvia, Lithuania, Portugal) has one of the lowest levels of organised crime (6.15), but its scores on corruption and rule of law place it somewhere in the middle, with better indicators than Italy, Greece and the newer MSs and considerably worse only than the countries in Clusters 1. This cluster is also characterised by one of the lowest GDP per capita (63.525). Only Cluster 7 (Bulgaria, Poland and Romania have lower GDPs per capita).

Cluster 5 (Czech Republic, Cyprus, Greece, Hungary, Malta, Slovakia) is characterised by a relatively low control of corruption and frequent use of bribes (0.541, 6.397). At the same time, these countries do not have serious problems with organised crime (the level of OC is similar to Cluster 2 and even lower than France).

Cluster 6 (Italy), similar to France, Italy's key indicators have significantly different values that justify placing it in a cluster of its own. Italy has the highest level of organised crime (3.6) among the MSs, combined with one of the lowest scores for control of corruption and rule of law (0.449 , 0.426). It also has the highest level of undeclared income.

Cluster 7 (Bulgaria, Poland, Romania) consists of countries where corruption control is lowest (−0.091) and organised crime is similar to Italy (4.43). These countries have the worst scores for the rule of law, effectiveness of government and corporate ethics. They also have the lowest GDP per capita among the MS.

The problem with this statistical approach is that the indicators **do not provide an explanation as to why** these countries are grouped together. Therefore, this clustering remains a descriptive tool that could support qualitative analyses.

(...)

Qualitative data mapping organised crime and corruption in EU

The clusters presented in the previous section are underpinned by different historic, cultural and socio-economic factors that have affected organised crime, as well as the peculiarities of national institutions in each of the countries. At the same time, many of the indices used reflect expert assessments and, to a very low degree, empirical data. As a result of this approach, various relationships were observed where the statistical approach could not be applied unambiguously. Interviews and case studies conducted as part of this project also identified these factors, which are described below. This analysis thus aims to enhance the interpretation of the quantitative methods.

(...)

Organised crime, corruption and public bodies

The present chapter aims to present an overview of how criminals use corruption as a tool to influence politicians and a country's government administration,

police, judiciary and customs. Each section presents the typical objectives, corruption schemes, and intermediaries used. Related anti-corruption measures and policies that Member States have adopted to counter such influences are also outlined.

(...)

Political corruption and organised crime

(...)

Interviewees from all Member States discussed the existence of political corruption in their country. Their views correlated with public perceptions that political and administrative corruption usually is perceived as most common and most problematic (Eurobarometer 2008). (...)

Politicians much more rarely associate with low-level criminals involved in activities related to illegal markets, such as drugs or prostitution, than, for example, police or customs officers. The higher the sophistication and complexity of the crimes and their seeming ‘cleanliness’, the higher the likelihood of association between criminals and politicians is. The range of corrupt relations starts from association with businessmen involved in excise tax fraud (smuggling of cigarettes, alcohol and oil), gambling and money laundering, and extends to connections with respected corporations involved in multi-million euro fraud schemes, rigged public procurement contracts, illegal party financing, etc.

The prevalent patterns of political/criminal links is determined both by the nature of organised crime and by the nature of political culture and the political system in a Member State.

If and when criminals manage to extend their criminal activities from illegal (e.g. drugs) into any legal markets, and acquire a respected public face, their ability to corrupt politicians increases. The “legitimate” face of a criminal provides him/her with the legitimacy to meet openly with public officials, to donate to their political campaigns, or use his/her economic clout to support political parties. Whenever one observes direct links of politicians and criminals involved in illegal markets, the latter also have acquired significant legitimate economic power, which allows them to also use corruption to commit more sophisticated ‘whitecollar’ crimes.

Generally, such direct links in EU-17 are observed only at the local level (DE, FR, ES, IT), while in some countries where ‘white-collar’ criminals have no involvement in illegal markets, there is no evidence of connection of politicians (UK, FI, SE, DM, IE). On the other hand, in EU-10E, where many criminals started their careers during the chaotic period of privatisation fraud and cross-border smuggling of consumer or excisable goods in the 1990s, they managed to transform themselves into significant economic actors (locally or nationally) in a position to influence politics directly. In Italy and Southern France, local criminal elites have a long history of collusion with local politics, while being involved in extortion, drugs smuggling, waste management fraud, and bank robberies. Yet in recent decades their involvement in ‘white-collar’ crimes, such as EU funds fraud, public contract rigging, and real-estate fraud

has allowed them to transform their relationship to politicians into a more socially acceptable form.

Furthermore, there is a well pronounced tendency in EU-10E for political instability and frequent change of governments. Unlike EU-17, the countries of the former Soviet bloc experienced a series of restructurings of their political parties and the electorates that support them. Due to the lack of a well-functioning system of financing of political parties, both old parties from the beginning of the transition and newly emerged parties have resorted to funds provided by “gray sector” and criminal businesses (CS-BG). Large and legitimate companies have no incentive to offer financial support unless they expect some special privileges in return. Our interviewees pointed out that much more motivated to make donations to political parties are companies from the gray zone, as they would be able later on to ask for some form of protection or assistance. The consequence is that ‘suspicious contacts’ are periodically elevated to political scandals, leading to a new cycle of disturbances and a new wave of searching for political financing (BG, HU, PL, RO).

In countries where the banking systems were under a special regime (or where such a regime existed before but has now been cancelled) like Austria, Cyprus and Luxembourg, the state policy allows entrepreneurs who have been linked to white-collar crime, or even outright criminal businessmen, to use the financial system and invest in these countries. Usually, politicians turn out to be the middlemen assisting foreign gray entrepreneurs (AU, PL, RO, BG).

Modes of association

Most interviewees in EU-17 described cases of political corruption as random and haphazard. In reality, however, while corruption networks could be ‘activated’ whenever they are needed (e.g. there is a public contract tender, or police starts an investigation), bonds of trust are developed over much longer periods of time. For white-collar criminals, this usually involves a long-term investment. They would make donations to support someone’s campaign, or do favours without the expectation for an immediate or short-term return, but for benefits in or over a number of years. This is particularly true for white-collar criminals, whose public image is usually untarnished. They might demonstrate ‘socially responsible’ behaviour and establish a positive image in the local community, and make their relationship with politicians seem perfectly legitimate. The common types of corrupt relations could be discerned from the interviews: sporadic and symbiotic.

Sporadic relations Sporadic relationships could be used by businessmen or criminals so that they can operate undetected, or to win a public tender. Corrupt exchanges based on such relations take place via intermediaries, who provide the ‘trust’ needed for a corrupt deal.

- At the **local level**, businessmen might take advantage of public procurement contracts; local criminal figures might ‘activate’ a corrupt network to get political protection from prosecution (NL, CS-FR, CSBG, RO, CS-EL);
- At the **national level**—white-collar criminal might use political connections to obtain protection from investigation/access to contracts.

- Such ad-hoc relations at the national level are less frequently to be observed with professional criminals, especially in big countries (CSBG, CS-EL, PL).

Symbiotic relations Symbiotic relations are long-term relations that can be observed when protection is provided to cover up continuous criminal activities, or when white-collar criminals ‘live off’ fraudulent public tenders.

- At the **national level** (central government), this almost exclusively refers to white-collar criminals. There are probably some notable differences and exceptions. In recent history there have been periods in EU-10E or Italy when white-collar criminals with clear links to illegal markets (smuggling, extortion, etc) have had control over ruling elites to a significant degree (CS-IT, CS-BG). At present this does not seem to be the case in any of the Member States.
- In some EU-10E MS (CS-BG, SI, RO), interviewees referred to **the ‘oligarchs’**, or white-collar criminals, who have had significant involvement in the past with illegal markets, or have accumulated their wealth through rigged privatisation deals or rigged public contract tenders during the 1990s. These individuals that form part of the business elite, exercise powerful influence over the political elite. Their business (usually includes public infrastructure construction or other public services).
- Unlike EU-10E, where the business and criminal elites were formed in the past twenty years, in EU-17, business traditions and networks go back decades. Influential families and corporations (**the ‘oligarchs’ of the West**) exist everywhere. Their power to corrupt or influence is not weaker than that of business elites in EU-10E. As the case studies demonstrate, public awareness of corruption in most EU-17 countries grew significantly only during the past few decades or as late as the 1990s (CS-IT, CS-EL, CS-BG, CS-FR).
- **At the local level**, symbiotic relations seem to be much more common in many countries of the EU. They are particularly common in border regions (with cross-border smuggling), tourist regions, or other areas where the local mafia has a stronghold. Similarly, criminals often invest their illegitimate proceeds in legitimate businesses that have disproportionate influence on local economies. Through their ability to manipulate and control a large part of the local electoral force, they practically control local politics. Concrete examples of such symbiotic relationships in specific towns were given from across the EU (towns in Corsica, Costa-del-Sol, Southern Italy, various towns across the external EU land borders with the former Soviet Union).

In such relationships, parallel power structures are developed. Local municipal services and contracts are strictly distributed to companies related to the local business and criminal elite that supports the mayor or the ruling party. The democratic principles of governance in the city (as much as this might sound like a cliché) are subverted. Local media, if it exists at all, is dependent on the local (criminal) businesses for advertising.

Local politicians depend heavily on the votes that the (criminal) businessman controls. What is often observed in such towns is a situation of ‘state capture’—where a certain political clique (from all parties) manages to hold on to power for a long time.

One manifestation of this symbiotic local relationship at the national level is the corruption of parliamentarians (depending on the electoral system, local support may be of key importance). In addition to serving as important intermediaries for them, legislators could initiate or support legislative changes in the interest of criminals (legalising their practices, leaving loopholes to be explored, or changing penal legislation to help them avoid justice). Some examples of such practices are provided later on in the report.

Direct participation When individuals with criminal past or presently involved in criminal activities enter into politics, then one can speak of corruption of the political process. Direct participation of criminals in politics is uncommon, and is rarely their preferred method of exerting influence. On the one hand, direct electoral participation inevitably would put them in the limelight. On the other hand, though, it could provide them with **legitimacy, ability to influence the criminal justice process and the redistribution of economic resources**.

At the **national level**, there are three more common examples:

- **Members of Parliament:** as the case-study of Italy shows (see box), such cases have been observed on a significant scale. In other countries (RO), businessmen under investigation have become members of parliament or have run for to be members of parliament, ensuring at least temporary immunity from investigation (BG).
- **Executive branch:** as the case-studies show, although this is rare (the case of Silvio Berlusconi is probably the only example at present) a businessman under investigation could manage to seize political power and steer a change in legislation ensuring some level of protection from effective investigation.
- **Local level:** direct participation in city councils or as town mayors is common. Depending on the set-up, such positions could give access to public tenders, or influence over local police. Such municipalities often could be described as ‘privately’ run, or at least in private interests rather than in the public one. The case studies on France (Corsica), Italy, and Bulgaria list a number of examples of such relations.

Modes of corruption

There are a number of ways to establish the above dependencies:

- **Direct—bribes and favours/‘pantouflage’** are probably the most obvious ways. At the highest level, direct bribes were mostly dismissed, especially by EU-17 respondents. Exchanges of favours or trading in influence were deemed as much more common. The practice of ‘pantouflage’ in France is common, whereby after their term expires, officials responsible for public tenders would receive a job at a company for which a contract has been secured. Culturally the exchange of favours could differ: ‘arranging’ jobs/promotions for relatives is probably more common for southern/EU-10E MS.
- **Elite networks.** They exist throughout the EU. They may be built on different principles: family ties (mostly in southern Europe), classmates, club

members, etc. Various forms of mediated corruption take place through these networks. Entrepreneurs can win a public tender, or legislation favouring their business may be passed, just because they belong to the right social network. The ‘favour’ may be returned after a long time. Favours may be balanced: i.e. obvious preferences to a single company, or respectively a single politician, are avoided. The most precious capital in this type of social networks is trust. In smaller countries, networks tend to have a smaller number of members and fewer power centres. Interviews revealed that in the former socialist countries agreements between businessmen and politicians are more direct, and their confidence in each other is significantly lower.

- **The political investor:** is probably the most common—long term support (financial or other) for political parties, and if needed through illegal political donations are most common (CS-IT, CS-BG).
- **The vote provider:** in areas where organised crime or white-collar criminals have influence over a significant number of voters, or could influence voters as employers, this type of ‘corrupt exchange’ is used (CS-BG, CS-IT, CS-FR).
- **“Insistent lobbyism”** (“eindringlicher Lobbyismus”) is another common form it takes. PR companies support the interests of certain politicians. These companies are paid by certain industries (DE).
- **Threatening/blackmailing** politicians has also been observed, particularly at the local level. (IT) Some cases were reported, where local politicians are offered a prostitute or a large bribe. Following this the criminals collect evidence of the misbehaviour of the politician, and use it for blackmail him/her (IT, DE). A similar tactic is used for other public officials.

Factors for political corruption

The factors that influence political corruption, and should be accounted for in any analysis of its scale and causes, are complex and not sufficiently researched across the EU. In individual countries there could be specific local circumstances that are conducive to corrupt practices, but generally the interviews and the case studies have outlined the following:

- **Cultural factors/public perceptions:** public perception that corruption (or at least certain forms) is “normal” plays a major role, especially on the local level. The re-election of leaders (e.g. Silvio Berlusconi) who are under investigation is probably the most notable example, although at the local level similar cases have been observed elsewhere as well (EL).
- **Patron-client systems:** in these, an exchange system of favours and patronage is considered common and acceptable. The lack of distance between politicians and businessmen is normal. Political parties are expected to have ‘circles’ of companies that fund their political campaigns, and receive reciprocal favours once the politicians are elected (CS-BG).
- **A history and prevalence of secret societies:** one factor that facilitates corruption that some interviewees mentioned, as well as shown in the case studies, is the existence of ‘secret’ societies, like Masonic lodges. These societies

provide an opportunity for politicians to meet in private with businessmen or criminal entrepreneurs (CS-FR, MT). In some countries, elite private clubs with restricted memberships play a similar role (UK).

- **Class differentiation:** the formation of elites in EU-17 is a process that has gone on for hundreds of years, starting from elite schools, universities, and neighbourhoods. These elites create networks of political, economic, and judicial that facilitate above all white-collar.
- In EU-10E, a similar informal network is formed by members of former communist elite (or their children). These include not only functionaries/civil servants, but also members of law-enforcement and security services. Cases of political corruption networks were provided in several countries (DE, RO, BG).
- **Public perceptions:** OC figures may be perceived as cultural heroes or “men of honour” (local level). Criminals (particularly white-collar ones) may manage to build a public image that manipulates public opinion (control over media facilitates this) (IT).
- **High-level corruption:** as corruption spreads from the elite downwards to other social groups, impunity seems to increase its multiplying effect. This process causes increasing familiarisation with and tolerance for unorthodox practices, even among those who benefit very little from their own corrupt practices (PT).
- **Local vs. national level:** local politicians and administrators, as explained above, are more vulnerable. These actors are geographically closer to organised criminal groups; they operate in the same social environment and therefore are subject to the pressures that such groups exert. At the local level, however, corrupt exchanges ‘offered’ by organised criminals to politicians are accompanied by an implicit degree of intimidation which determines the outcome of the proposal made (PT).
- **Political cycles and corruption:** one feature that is revealed when analysing corruption-related scandals in Member States for which case studies were carried out is that in recent decades many governments have won elections run on anti-corruption platforms. In France (1995), Greece (2004), and Bulgaria (2009) changes of government were accompanied by a number of revelations of past corrupt practices, followed by law-suits initiated by the newly elected governments exposing their predecessors’ offences. There were a few effects of this campaign-like approach:
 - on the one hand, public perceptions that ‘corruption is increasing’ are easily reinforced when there are law-suits or media publicity exposing corrupt deals;
 - corruption schemes are abandoned as public attention focuses on them;
 - corruption networks and schemes readjust to the new realities, and changes in the environment rarely disrupt them. Businesses usually hedge their bets and corrupt all major parties (PT). As providing outright support is usually possible only with respect to one party, the hedging process takes place by maintaining relations via intermediaries or other businesses.
- **Linking administrative and political corruption:** in EU-10E, there is a fusion of bureaucratic and political corruption. For many interviewees administrative corruption is simply an aspect or outgrowth of political corruption. The

politicization of the public administration could be considered as an indicator of political corruption. In most EU-10E countries, and in Greece, the government bureaucracy is politically dependent. With changes in the ruling political party, the higher echelons of the administration (e.g. heads of directorates, key agencies, or even police departments) are regularly replaced with more loyal individuals (CZ, BG, EL). Administrative corruption exists also as a separate phenomenon, as the section on customs corruption well illustrates.

- **The main focus on administrative corruption that was brought up by interviewees, related to the construction sector** (CZ, SE, NL, UK, IT, MT, EE, AU, PT), especially particularly in relation to public infrastructure projects (SI, LT, CZ, IT, EL). Other types of administrative corruption, related to certain criminal markets (the sex industry, or smuggling of consumer goods) are further discussed in the chapter on illegal markets and corruption.

(...)

Police corruption

(...) The topic of corruption in police forces is rarely discussed in most EU Member States.

(...)

The research undertaken has demonstrated that the understanding of ‘police corruption’ took on very different meanings across Member States. In certain countries even the term ‘corruption’ is avoided and replaced by expressions like ‘lack of integrity’ (CS-NL), or is understood in a very narrow legalistic sense that excludes a number of phenomena of a corrupt nature (CS-FR). For instance, engaging directly in criminal activity, such as drug distribution, is considered simply a criminal act in France (CS-FR). In the UK, however, engaging in criminal activity is also classified as an instance of corrupt behaviour, and is included in data on corruption. (UK). These differences could have direct implications not only on interpreting institutional statistics, but also on designing common EU approaches. (...)

Throughout the interviewing process serious discrepancies in opinions on the extent and nature of police corruption emerged between official (internal affairs departments) and alternative sources (journalists, researchers, former police officers, prosecutors, or lawyers). (...)

Institutional factors explaining corruption

- *Lack of meritocracy.* A key factor in EU-10E (and EL, IT), is that the competence, efforts and effectiveness of police officers is of no importance in the evaluation of their work. Instead, superficial quantitative criteria are used to evaluate their performance. The number and nature of cases, and the results of their actions, do not determine the opportunities of police officers for career advancement, higher income or professional rewards. Frequently, it is impossible

to determine whether a certain investigation has failed due to incompetence or as a result of corruption (EL, RO, HU, BG). The career advancement of officers is not dependent on their qualifications and experience but on the strength of the clientelistic networks supporting them, and on their loyalty to senior management. Under this system, systematic performance failures and even contacts with organised crime do not result in dismissal. In fact such officers often rely on the support of their supervisors (BG, EL, IT).

- *Low standards for the recruitment of officers:* In countries with high level of police corruption, entry in the law-enforcement forces is often a chaotic process. Although there are requirements and a process for the hiring of officers, in practice the criteria are often ignored. Due to the low social status of the profession, job seekers with good education and high motivation avoid it. As a result, often candidates with inadequate education and problematic behaviour get hired. Some corruption cases reveal that such officers come into police force with pre-existing close relations with members of criminal structures (BG, RO, EL).
- *Police subculture of isolation from other social and professional groups in countries with high levels of corruption:* Entering the police force is often part of family or neighbourhood traditions. As a consequence, loyalty to the group is very high. In less affected police departments, the practice is ‘to look the other way’, while in departments where the ‘vultures’ model prevails, non-participation in corruption practices and illegal income is considered risky behaviour by the ‘vultures’. A non-participating officer either has to adapt to mass practices or quit. Rumours and false accusation reports are common in this subculture. The police subculture in countries with low corruption levels (UK, DE, NL, DM, FI, SE) has the opposite effect: corrupt officers face peer pressures to quit. Interviewees indicated that police culture in England evolved from the practice of protecting corrupt officers to reporting them. At the same time, although police culture in Northern and Western Europe does not support corrupt behaviour, it resists certain institutional measures like whistle blowing (NL) or intensive integrity testing. In some of the old Member States, the police culture is reinforced by the fact that police officers come from specific social class. For instance in the UK they often originate from the same social strata or areas where many organised crime figures originate (UK, NL). In Italy, within the police force (e.g. Guardia di Finanza) itself the culture often differs, as usually only higher level officers have access to white-collar criminals, as they share much more their social background.

Outside pressures on law-enforcement institutions

- *Economic pressures.* In the EU-10E the police and special services are charged with the investigation of almost every kind of economic crime, from smuggling to fraud involving EU funds. As a result, lawenforcement officers are subjected to strong pressures from their superiors as well as from magistrates, local businessmen and politicians. Organised crime has developed its ‘infrastructure’ (channels for the distribution of oil products, illegal cigarettes, alcohol and smuggled consumer goods from Asia). Police forces working on such cases often

become part of organised crime and are directly involved in regulating illegal markets and criminal activities. (BG, RO, PO, SK). At the same time, investigating officers do not distinguish the activity of organised criminal groups from ‘white collar’ crimes (PO, BG, LT).

- Similar pressure related to the specifics of national economies is observed in some old Member States. Organised crime exercised pressure on the units investigating economic crimes in Italy (i.e. on Guardia di Finanza) and Greece (namely, on the Coast Guard). In many of the old MSs with low levels of police corruption, the police does not have specialised units for economic crimes. Officers avoid ‘looking in the direction of corporations’, as this is considered a high risk for any public servant. The police assumes that investigating this type of crime is the responsibility of tax or financial oversight authorities. Similar logic is applied to the smuggling of excisable goods. Investigating such crimes is considered the prerogative of the customs, not the police (DE).
- *Risk areas.* In almost every EU country certain areas of high pressure on the police/investigative services have been outlined. typical risk area relates to immigration channels (EL, CY, AU, ES), and the small towns and villages close to national borders (BG, PO, SK, RO). In some Member States, certain *regions and cities* have traditionally (see table 12) been associated with high levels of corruption and systematic links to organised crime. In some cases, corruption income and support for organised crime have become the norm. The following table lists certain towns and regions across the EU where the corruption pressures over law enforcement are particularly strong and of a systemic nature: This phenomenon is also observed in countries with low levels of corruption. For instance, in the Netherlands it is acknowledged that in Amsterdam corruption is much more frequent than in other parts of the country. Similar is the situation in Germany, where corruption is much more common in the eastern part of the country.
- *High risk crimes.* Representatives of internal control departments claimed that drug distribution and prostitution were the two categories of crimes in connection to which police corruption was most frequently revealed (NL, BE, DE, ES, SL, UK). The vulnerability of police to this type of crimes was shared among countries with high levels of police corruption (EL, PO, SK, RO, BG), and countries where police corruption is considered an extremely rare phenomenon (SI, DE, UK). While with drugs a certain degree of restraint is still in effect due to the harsh consequences of abuse, the vulnerability of police is much higher in dealing with the market for sex services (DE, ES, FR, HU, EL).
- *Special structures*—In some EU countries special structures have been formed to combat ‘severe and organised crime’. These structures are vested with extraordinary powers, such as surveillance, wire tapping, access to bank accounts and tax data for suspected persons and companies. In some countries there is no separation between the structures dealing with organised crime and those involved in counter-intelligence and anti-terrorism activities. At the same time, there is a complicated level of security, as these operations have to remain secret (ES, BG, AU, RO, UK, IT). Organised crime is particularly interested in penetrating this type of special structures. In some cases high-ranking officials

have leaked information to organised crime and have blocked ongoing investigations. Some officials have even taken sides in fights between criminal competitors by initiating police actions targeted at a certain group of the underground world rather than at its competitors.

- *Political influence* over the police at the local level is observed in most EU-10E countries, Greece, Cyprus, Italy, and France (Corsica). In parts of Italy (Calabria, Sicily, and Campania) the traditional organised criminal groups might exercise influence over the police and investigative services by influencing elections of mayors, city councils and the local administration (see box further down). A similar model of influence at the local level is observed in Bulgaria and Romania, where the Galev brothers in Bulgarian town of Doupnitsa, the ‘brothers from Braila’, and the ‘Moldovan brothers’ from Brasov—control local politics. In Bulgaria, criminal entrepreneurs ‘invest’ in the local authorities to gain access to public tenders, construction of infrastructure and EU funds. They finance mayors and city council members, who in return lobby for the appointment of high-ranking police officers who are friendly to local oligarchs and criminal bosses. A similar model is observed in Hungary, Slovakia and Latvia. Such influences could even reach the national level, where large criminal entrepreneurs could control appointments in the police and special services.
- *Judicial influence*: with their ability to control the whole prosecution process, magistrates and in particular prosecutors could exercise influence over the police and investigators. Police officers are thus aware that certain influential businessmen, who are part of the criminal networks protected by members of the judiciary, cannot be touched and avoid any actions against them (IT, EL, BG, PO, DE-E).

Intermediaries

The operation of intermediaries is dependent on the level of corruption in police and the investigative units in each country. In EU-10E, Greece, as well as Corsica, intermediaries work fairly openly. Some of them may even become public figures and hold political positions. Criminal bosses, when confronted by the police, do not hesitate to demonstrate their access to intermediaries (BG, RO, EL, IT). In EU-17, with its developed procedures and structures for the control of police behaviour, intermediaries operate in more subtle ways, taking special measure to remain unidentified (UK, FR, DE).

- *Clientelist networks* exist in countries with high levels of police corruption (IT, EL, PO, CY, BG, RO, PO, HU) and are not typical for the countries with lower levels. These clientelistic networks reach beyond institutional boundaries and hierarchical levels. A network may unite tens or even hundreds of participants, including active or former police officers, investigators, magistrates, businessmen and politicians. Access to clientelistic network by criminal organizations gives them opportunities to influence the overall process, instead of dealing with a couple of intermediaries. For instance, a network could secure a safe channel for the import of illegal goods, or prevent a potential investigation as well as

block an ongoing one. The benefits for the participants in the network are that they get a stable flow of criminal clients (instead of a one-time payment), without the risk of being associated with a single criminal group. If one section of the network fails, other participants take over its functions. These networks providing criminal services are sometimes called ‘negative capital’ in societies with low social capital like the Balkans, Sicily, Corsica and certain regions of EU-10E countries.

- *Former police officers or special services employees* are the most widespread type of intermediaries. Retired officers generally preserve their relationships with active workmates. Corrupt active officers, on the other hand, might see relations with former colleagues in the private sector as an opportunity for a good additional income when they retire. This model is observed even in countries with low levels of corruption (UK, SE, NL).
- *Private detective agencies and private investigators (PI)*: These are usually experts from economic intelligence companies (UK, FR). These individuals often have connections with the police, or with companies that the police uses to track suspects (e.g. phone companies). When large and well-known firms decide to use corruption, there are several levels of subcontractors between them and the person, most often a PI who would use illegal means to obtain information, e.g. phone records (UK, DE) or investigation information from former colleagues (FR).
- *Attorneys* have a significant competitive advantage over all other intermediaries—they can provide services through the whole institutional chain, starting with police and going all the way to prosecutors and even judges (BG, PO). Furthermore, in some of the old Member States, attorneys are middlemen for organised criminal structures consisting of immigrants (ES, UK, AU, DE). Unlike local criminal groups that have some kind of direct access to law-enforcement officers, immigrants typically lack any access and have to rely on intermediaries.
- *Criminal informants*: investigations of cases of police corruption have shown that police and informants often take advantage of each other. Even in countries with developed regulations governing collaboration with informers, police officers return favours to their informers, like leaking information about ongoing investigations, putting pressure on competitors, etc. (UK, NL, FR). In countries where the police is underfinanced (Bulgaria), informers often receive favours in lieu of payment.
- *Family—relatives*: These are the most widespread intermediaries in Southern and EU-10E countries, but are also used in countries where friends and relatives are not a primary resource (UK, NL, DE). These intermediaries are particularly useful in small towns.
- *Girl-friends and prostitutes*:—this type of intermediaries are sometimes used to discredit police officers or investigators. A prostitute is sent to an officer working on a certain case, and then the officer is blackmailed with pictures or video recordings (FR, UK).

The complexity of police corruption is difficult to be fully captured, and local and institutional specificities often impede such efforts. The case of Italy, based on several anonymous interviewees with former or present police officers exemplifies these complexities. It also shows how absence of active corruption (in terms of

exchange of bribes and personal profit) is substituted by a complex system of communal and institutional relations that have a similar effect.

(...)

Customs corruption

Corruption within customs administrations across the EU is marked by stark differences between *perceived* customs corruption levels in EU-10E and Greece on the one hand, and in the rest of the EU MS. The opinions provided by interviewed representatives of customs administrations or independent analysts in EU-17 (DE, FR, UK, BE, IT, NL, IR, ES, FL, SE), as well as public opinion surveys, support this view. While in EU-15 25% of the adult population considers corruption amongst customs officers to be widespread, in NMS-12, 46% do so. In countries like Bulgaria, Greece, Romania, Cyprus, and Latvia, almost 60% or more of respondents consider the customs services to be corrupt (Eurobarometer 2007, p.11). Interviewees for the present study presented a similar picture, as customs corruption along EU's eastern external land borders was considered particularly high (...)

Judicial corruption

(...)

Overall, the interviews and the data from the case studies indicated that in the majority of Member States the judiciary, particularly the courts, is much less targeted by organised crime than the police or politicians. There are a number of objective circumstances and factors that contribute to this. The Eurobarometer (2008, p.9) public perceptions survey present a similar picture, as the judiciary is rated as least corrupt, in comparison to police, customs, politicians, or bureaucrats. The general perception of interviewees and research from case studies is that white-collar criminals (EL, BE, PO, SL, SW, CZ) more often resort to corruption of the judiciary, as they have power and sophistication (BE) to use higher-level corruption. They often have common social background and status with legal professionals who facilitate corrupt exchanges with the judiciary.

Evidence suggests that the following levels are most often involved in corruption in degrees that vary among Member States:

- Judges (all levels up to Supreme Courts);
- Prosecutors (all levels up to Attorney General);
- Courts and prosecution administration;
- Jurors;
- Bailiffs.

The overall objectives of corrupting the judiciary observed across the EU are quite similar (SL, EL, BE, RO, FR, SP, IT). Criminals mainly target the different levels and stages of the criminal justice process:⁴⁷

- **Avoid pre-trial detention:** judges could be bribed into refusing detention and allowing the suspect to remain free on bail.

- **Prevent or discontinue investigations:** there are two main possibilities: Judges might not authorize electronic surveillance to subvert an investigation; Prosecutors might ignore a police or victim report, or interpret police evidence in a light favourable to the defendant (CZ). Investigations into corrupt prosecutors in different Member States (BG, CZ, PO) have found them to have held onto dozens of cases without taking the required steps.
- **Prevent a trial** from starting, or if it has started, try to delay or stop it: e.g. judges could dismiss a case for lack of evidence.
- **Receive lower sentence** (e.g. probation instead of prison term); shorter prison term; or, change the prison terms from high-security to a lower security prisons.
- **Obtain an acquittal:** Judges could be bribed into ignoring evidence from the prosecution, or interpreting it in way that leads to an acquittal.
- **Avoid the implementation of a sentence:** Bailiffs can be corrupted too because they often come into direct contact with the defendants (particularly in cases of confiscation).
- **Leaking information:** in addition to a straightforward abuse of power, judges and prosecutors, or their administrative staff are privy to information regarding ongoing investigations:

Corrupt court or prosecution staff with access to files on ongoing investigations could provide information to suspects or defendants (CS-FR, CS-BG). In particular, the need to authorize electronic surveillance provides (some) courts with up-to-date data on ongoing investigations.

Judges or prosecutors could also serve as ‘advisors’ to criminal groups. In the cases quoted they were not directly involved with the prosecution or trial of criminal groups. Nevertheless, being familiar with the operations of police or prosecutorial staff, they could provide advice as to how to avoid being detected by the police, or to undermine an ongoing investigation. In either case, large sums of money were paid, showing the value that some criminals see in this type of service (SP/NL).

- **Rigging the public contracts bidding process:** In addition to subverting the criminal justice process, in many countries organised crime or criminal companies have been involved in abuses of public funds. Administrative courts that oversee the handling of public tenders could become corruption targets. In some countries (BG, RO, BE, PL) the lack of clear rules as to the role of administrative courts has led courts not only to decide on the legality of administrative procedures of public tenders, but also to interpret whether a contract is ‘in the public benefit’. Without the need for an underlying financial or other expert analysis, judges in some Member States (BG) have abused their powers, clearly as a result of being influenced either directly by one of the parties involved or by corrupt politicians.

In countries where corrupting judges and prosecutors is difficult if not possible, criminals seek alternatives. Cases of corruption within the court or prosecution **administrations** have been observed across the EU (FR, BE, EL), and were mentioned even in countries (UK) where corruption in the judiciary is generally not considered a problem. Compared to judges or prosecutors, administrative staff members are less highly paid and less scrutinised. For instance, in the UK Crown

Prosecution Service (CPS) caseworkers provide administrative support to crown prosecutors. They are fairly low-paid (15–25,000 pounds per year) and could provide criminals with information on the prosecution's case, evidence, etc. They liaise with the police on behalf of the prosecutor, so they might have up-to-date information on ongoing investigations (UK).

In *common law* jurisdictions (UK and Ireland), the 'weak link' that criminals try to exploit is the **jury**. Jurors are most often quite disinterested with respect to trials, and have very little at stake. In the UK, although there have been suspicions, there have been no successfully prosecuted cases in which corruption on the part of jurors has been proven. The possibility of being able to corrupt jurors, in the opinion of one of the respondents, discourages criminals from considering corrupting judges (UK).

Corruption networks and their operation

(...) Lower level organised crime figures typically have no direct access to informal networks within the judiciary. As a result, corruption is fairly difficult and it requires intermediaries or specific circumstances that allow them to carry out a corrupt exchange. Higher level and white-collar criminals might have more direct access, though. There are various corruption-facilitating informal networks in which a magistrate might participate. These informal networks might intertwine. The most common networks used by criminals to corrupt members of the judiciary are described below:

- **Direct access networks:**
- **Small communities:** whether it concerns a town or a small island (e.g. Cyprus, Malta, or Corsica) local elites establish networks, where representatives of the judiciary, businesses, law-enforcement, and politicians know each other. Insofar as white-collar criminals or traditional organised criminals are able to accumulate sufficient economic power to become part of these local elites, they inevitably gain access to local members of the judiciary.
- **Social networks:** formed around Masonic lodges (CS-FR, CS-IT, MT) or local political networks (CS-ES), members of the judiciary could have the opportunity to come in direct contact with crime figures, in secretive settings away from public view. In countries where religion plays a significant role, even a church could serve as a network (EL, NL).
- **Personal and family networks:** personal and family networks play a certain role in all Member States. In countries where extended families or nepotism are more common place, these networks feature much more prominently in corruption scandals (CS-EL, PL, BG). Schools (particularly elite ones) also provide an immediate network, especially in cases involving white-collar criminals. Spouses, particularly working as lawyers (or within other branches of the judiciary), could serve as intermediaries in accepting bribes (CS-FR) or in taking advantage of the network of corrupt judges to which the other spouse is a member (CS-BG).

All other networks described below involve some type of intermediary (politicians, lawyers, law-enforcement officers).

- **Political networks:** although judiciaries in the EU are generally politically independent, in reality specific circumstances in some Member States undermine this independence. Such circumstances could relate to whether judges can move between a judicial and political career, or whether judicial oversight bodies are partially elected by parliaments, or the prosecution is responsible to the Minister of Justice. Depending on which of these apply in particular cases, situations could arise whereby judges establish and often become dependent on their relationships with politicians. These networks could then be activated when a corrupt politician needs to influence or simply to act as an intermediary between a prosecutor or a judge, and criminals. In some Member States, there is a clear ideological divide between judges that are considered to be close to the right or left of centre parties (ES, IT).
- **Professional networks:** lawyers across the EU are considered to be the most direct intermediaries in judicial corruption (CS-EL, CS-BG, CS-FR, SL). This is understandable as they usually have the same educational and social background, and in many cases the same professional background (e.g. they may have been former prosecutors or judges). Litigation departments of top law firms in many countries try to attract people with such backgrounds. In some of the cases described (CS-BG), this is purposely done with the intention of being able to influence judicial decisions. In other countries (UK, SP, NL, BG) interviewees described a number of well-known criminal defence lawyers or law-firms as having the access or means to influence investigations.
- **Law-enforcement** (police/customs/prosecutors): case studies from Bulgaria and Greece describe in detail how such corrupt networks operate.
- **Intra-judicial networks:** While the above networks are used to secure access to the judiciary ‘from the outside’, some of the corruption networks involving judges, prosecutors, and lawyers function within the judiciary itself (RO, CS-EL, CS-BG). In hierarchical systems, such as the prosecution, top-down influences, particularly in countries with widespread judicial corruption, are quite common.

Vulnerability factors and corruption mechanisms

The factors that render the judiciary more or less vulnerable to outside influence and corruption vary widely across the EU. They include complex cultural, institutional, historical and socio-economic factors that explain why and how corruption exists.

- **Salary levels:** interviewees have pointed to salary levels as an explanation as to why corruption is more (PL, SP) or less likely (UK). Often, members of the judiciary compare salaries with neighbouring countries (ES) or civil servants.
- **Plata o plomo: the threat of violence** is also a factor that makes judges vulnerable to corruption, particularly in smaller towns, or in areas with

significant mafia or terrorist presence where the threat of violence is very credible (CS-ES, CS-FR, CS-IT).

- **Blackmail:** judges and prosecutors might also be offered a very substantial initial bribe, or lured into using prostitutes or drugs (CSFR, BG, DE, NL). They would then be blackmailed into committing further corrupt acts, on the threat that their previous corrupt acts or corrupt behaviour would be exposed.
- **Political influence** is closely connected to the problem of political corruption: i. e. political influence is more prominent in countries where political corruption (at the national rather than at the local level) exists (ES, BE, EL, CS-BG, CS-FR). Typically such influence occurs at a higher level involving higher-level politicians, higher level magistrates, and the criminal elite (especially white-collar criminals).
- Whether a politician acts as an intermediary to facilitate a bribe, or tries to pressure a magistrate and lobby for a favourable decision on behalf of a criminal, the politician is in a position that could potentially influence the magistrate's long-term career:
- **For judges** the potential threat stems from the fact that in many countries High Court judges or Supreme Judicial bodies are appointed or nominated by parliaments, or by the executive.
- **For prosecutors** the threat is even more imminent: the political dependence of the prosecution (DE, ES), particularly in countries where the Minister of Justice is also Prosecutor General (e.g. FR, PL) was highlighted by many interviewees. Members of the judiciary in some Member States (CS-FR, IT) have accused governments of trying to limit the independence of the prosecution by implementing legislative reforms that bring it under direct political control. The Chief Prosecutor could be very clearly favourable to the party that is currently in power and influence the decisions taken at lower levels. Lower level prosecutors not related to the ruling party might, under such circumstances, try to keep a low profile (ES).
- **Political influence** does not need to be direct, but could trickle down from the top of the judiciary towards the magistrates who need to be corrupted. The hierarchical nature of prosecutorial systems allows politicians to pressure lower-level prosecutors by using their influence on the prosecutor general or on judges at various levels (CS-BG, PL).
- **Self-censorship:** in countries where the political dependence of a judiciary official's career is clear, magistrates or prosecutors simply try to avoid politically sensitive cases by not starting or delaying them. Highprofile cases where criminals are known donors of political parties, are immediately considered as high-risk cases by magistrates (BE).
- **Weak control systems** (RO & CZ) and lack of transparency (CZ) to the public or to other actors in the criminal justice system were pointed out as factors conducive to higher levels of judicial corruption (BE, RO). Further to this, lack of media scrutiny—due to the fact the media, including local media, is often controlled by individuals or companies involved in criminal activities (PL, FR, IT).
- **Legislative loopholes:** Corrupt judges and prosecutors often take advantage of and apply 'extreme' interpretations of penal procedural codes. For instance, in Romania the concept of 'social danger' is quite vague, leaving to judges a lot of discretion

which they often abuse (RO). In Bulgaria, corrupt judges often purposely ignore discretion powers, which allows defence lawyers to protract trials abusing procedural details: frequently changing of defence lawyers, and non-appearance of witnesses, defendants, or lawyers for supposedly ‘health’ reasons.

- **Cultural setting:** the cultural and social factors that make members of the judiciary vulnerable to corruption or make society sensitive to judicial corruption are the most complex.

In areas with significant **mafia influence** the social setting and informal networks allow for pressures to be exerted on judges (IT, CS-FR). Tourist coastal areas (CS-ES, BG) and border areas (PL, BG) with significant concentration of criminal activities (e.g. Costa del Sol, external Eastern EU borders), as well as local communities dependent on illegal economic activity, create similar pressures.

- **Favours:** The cultural concept of ‘favour’ takes on a different meaning in some Member States where it is an accepted and even expected way of working. As one interviewee stated, “You ask them a favour basically. This works with anything and anybody, it doesn’t necessarily have to relate to organised crime” (EL).
- **Nepotistic relations** and family pressures are stronger in some Member States than others. Small towns could serve as catalyser to corruption, as informal relations and favours are considered socially acceptable (ES, PL, BG, EL). In many Northern European countries, where such values are not tolerated, small towns could even have a reverse effect.
- **Public tolerance:** In some Member States alleged corruption does not upset public opinion too much, and the judges are kept in their posts until a sentence is issued (SP, FR).

Judges vs. Prosecutors: Overall, the perception of interviewees was that prosecutors were more vulnerable to corruption than judges (DE, NL, ES, BG, SE, BE, CZ, EE). Nevertheless, in some countries, interviewees stated either that both were either is equally targeted, or that judges were more often targeted (SL, DE, SP, EL, RO, PL, IT, EE). A number of factors could explain these differences:

- **Proximity and frequency:** Criminals’ first contact is with the police and prosecutors. Judges come last. Therefore, there are a lot more attempts to influence prosecutors on their part. The need for corrupting the judiciary, particularly judges, is much more haphazard in nature.
- **Intermediaries:** In some countries, intermediaries to corrupt prosecutors are easier to find: a traditional career path for many investigators or prosecutors is to become defence lawyers (BG, PL, EL, IT). As a result they have a more direct access to corrupting prosecutors than judges.
- **Transparency:** The outcome of the work of a judge is generally more public and scrutinised by oversight bodies and the media than those of a prosecutor. It is difficult for the judge to dismiss clear evidence presented in court; a misinterpretation or discontinuation of a trial would be too visible.
- **Independence:** across the EU, prosecutors and judges enjoy varying degrees of independence from politicians: from the prosecution being directly under the

Minister of Justice, to having Supreme Judicial oversight bodies being elected by Parliament, or appointed by the President.

- **Role:** In some countries, the role of ‘investigative judges’ (e.g. France, Spain) makes them are much more exposed to corruption pressures than prosecutors are, so the latter are a less frequent target.
- In some countries, judges specialise in criminal cases (e.g. EL). Particularly in smaller courts, this makes it very predictable which judge needs to be targeted.
- **Level:** Where respondents considered judicial corruption a serious issue (EL, BG, PL, IT, RO) instances of corruption were observed at all levels. Lower levels are generally more often corrupt (SE, BE, EL, ES, NL, EE) for several reasons:

Judicial racket: Judicial corruption is two-directional: it is not always initiated by criminals: sometimes prosecutors or judges themselves seek or offer corrupt deals. They may racketeer defendants for payments in exchange for favourable treatment (PL, CS-BG, EE).

Lower salaries.

Less scrutiny (see section on anti-corruption measures below).

Small-towns: lower court/prosecutions are placed in smaller towns.

High-level judiciary are mostly targeted by high-level (especially white-collar) criminals.

Low-level corruption takes the pressure off from the higher levels (cases are solved at first instance courts) (ES).

(...)

Organised crime, corruption, and the private sector

(...)

The interviewees contacted for the present report were primarily private fraud investigators (leading domestic or international law firms, auditing firms, or fraud investigation firms). Corruption related to organised crime constitutes only a small part of fraud in the experience of interviewees (NL, PL, MT). (...)

Scope of private sector corruption

(...)

The study focused solely on cases when criminals corrupt managers or employees (but not the owners) of legitimate companies. Another issue that was considered to lie outside the study’s scope was the corruption of foreign offices of EU headquartered companies.

(...)

There are three main reasons why criminals might corrupt an employee of a private company:

- to facilitate their criminal activities;

- to launder profits from other crimes;
- to facilitate the commitment of a crime against the company itself.

The first two goals coincide to a large extent with the reasons for which organised crime might **collude** with the owners of a legitimate company, or acquire full control of a company, or establish their own (front) company.

Depending on the types of criminal activities, different industries and companies are targeted. Some industries (e.g. transportation), though, are particularly vulnerable as they could be instrumental in a wide range of criminal activities. (...)

Facilitating criminal activities

(...)

The **transportation industry** (...) was mentioned throughout the interviews as the one industry that is most often targeted by organised crime. Shipping companies and freight forwarders are sometimes also involved as intermediaries in facilitating corruption between transport companies and criminals. Corruption there could be related to any type of smuggling activity. (BE, SE, IR, AU, RO, PL).

The **private security industry** is another case in point. While the industry itself is an attractive cover up to protection rackets, corruption does not play a role (RO, BG, CS-FR). On the other hand in big cities with thriving clubbing and drugs culture, security firms could be instrumental in regulating the distribution of drugs in clubs (UK, ES). While in the majority of cases, the owners of such private security firms are directly involved or collude with drug dealers, on some occasions drug dealers could simply pay off bouncers to get their protection (UK).

Construction industry: although the participation of organised crime in the construction industry was much discussed, construction companies themselves are usually vehicles, rather than targets, of corruption. One exception could involve the case of cartels. Research on the construction company cartels in Germany has shown that they are formed on a horizontal principle—as when a number of companies in geographic area (region or town) form a cartel, as well as on a vertical principle—as when the supplier or sub-suppliers are integrated within a chain. To disguise the cartel, companies need lots of document manipulation and fake invoices. Therefore, corruption is used in other construction firms to supply the companies in the cartel with fraudulent invoices to disguise the cartel and to make it seem that the cartel companies deal with other companies as well (NL, DE).

Money laundering

(...)

Financial sector

Interviewees found that corrupting bank employees not to report financial transactions related to money laundering was a fairly rare phenomenon. Bank collusion or

insufficiently effective anti-money laundering measures were far more often the reason for successful money laundering schemes (SE, NL, MT, CZ). Launderers come up with schemes whereby bank complicity is difficult to prove or not needed: using off-shore companies, shell companies, trusts and foundations. Some interviewees outlined that money exchange offices (SE, CZ) are targeted as government oversight is much weaker (SE, AU). Small locally owned banks were identified as more frequent targets, because they usually have less internal controls than big international banks (SE). (...)

Real estate

The second most often mentioned sector in which criminals use corruption or have investment interests was real-estate, especially related to tourism and the night-time economy (CZ, RO, IR, NL, BG, SI, FR, MT, DE, AU, PT, BE, PL, SE, ES). The purpose of acquiring real estate is two-fold: first, to launder the proceeds of crimes already committed, and secondly to acquire cash-intensive businesses (bars, restaurants, retail outlets, and entertainment venues) that would allow continuous money laundering of criminal proceeds in the future. Corruption could be used only in the process of acquisition or disposal of real estate.

(...)

Gambling

The gambling industry was mentioned as one of the sectors most often targeted by organised crime. Many interviewees stated that criminals either use corruption to penetrate legal gambling establishments (IT, BE) or that there are suspicions of criminals themselves being involved in the gambling business (CZ, DK, NL, PT).

In some countries, like France or Sweden, organised crime has sought direct ownership, particularly of gaming machines. In Sweden, Hell's Angels often control gambling machines in restaurants, and use violence threats against owners to allow them to place the machines there (SE). In some parts of France, the situation is similar, as criminals have tried to partition territories of operation and control of gaming machines in restaurants.

(...)

Professional services

(...)The professional services industry, in particular law-firms, accounting firms, and trust and company service providers (TCSPs) might play an important role in facilitating money laundering and white-collar crime. In the majority of cases, the role of such professionals is collusive rather than corrupt (particularly when they are sole entrepreneurs). On occasions, though, when such professionals are employed at a large law or accounting firm, they might act against the established principle and rules of their company. The interviews showed that in the majority of cases, the

professional services firms or individual professionals (lawyers, accountants, etc) that engage as intermediaries of corruption are of a specific type. The firms are usually smaller, and specialized in corruption brokerage.

(...)

Abusing a company

The third main reason why criminals corrupt company staff refers to the cases when they intend to abuse the company for their own financial gain. The most frequent type of fraud refers to cases where a purchase or procurement officer purchases a service or product that is not in the best interest of the company owners. The officer, though, receives a kickback. Some of the interviewees stated that this type of behaviour is a normal business practice in their countries: i.e. even if the service or product purchased is cost-effective to the company, the purchase officer still expects to receive a kickback from the provider (PL).

The provision of construction services is one of the areas where this type of fraud is quite frequent for the same reasons, for which the construction industry engages in corrupt practices with governments: the value of construction service is difficult to estimate, and oversight/management companies themselves may be collusive or corrupt. For this reason, construction is one of the business sectors attracting criminals (CZ, SE, NL, UK, IT, MT, EE, AU, PT, SI, LT, CZ, IT). (...)

Corruption and criminal markets

(...)

Conclusions and recommendations

(...)

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.

(...)

Annex 1: Case study—Italy

(...)

Corruption and organised crime in Italy are connected in a variety of ways. With the political, administrative and private sectors particularly prone to engage in corrupt transactions, illicit conduct tends to spread to many other groups and actors. Upturning a liberal metaphor, one could say that the elite has promoted a ‘trickling down’ process of illegality. Organised crime is a participant in this illegality, at times aided by intimidation and at times sustained by the interests of legitimate actors who play a *de facto* role of partners. In such a situation resources are not used to satisfy the needs of communities, but are appropriated through personal initiative, individual risk, power, and the ability to achieve impunity by outflanking rules. Corrupt behaviour in Italy has slowly become acceptable at the social level and has gained legitimacy at the political, and finally at the legislative level. Corruption has played the function of foundational conduct, one that lends itself to be imitated. It has altered the perception of what citizens should expect, what they should pursue, and how. It has taken on a ‘founding force’, namely the capacity to impose lifestyles, to transform previous jurisprudence, to establish new laws and new types of legitimacy. Corruption and organised crime, in sum, are intertwined in a ‘criminal system’ that reproduces power, be it illicit or otherwise.

Annex 2: Case study—The Netherlands

(...)

Organised crime in the Netherlands may best be described as ‘transit crime’, which does not need to dominate specific economic branches or geographical regions. Therefore, crime in the Netherlands is fundamentally different from many other countries. In the case of cross-border crime and the trafficking illegal goods and people, criminals are not dependent on police and custom corruption.

The general opinion is that corruption of the judiciary, national level politicians, police and custom officers is relatively rare in the Netherlands, which is reflected by the low number of convictions for corruption. Despite the existence of occasional cases the corruption-organised crime nexus does not yet pose a very significant threat.

The analysis of different institutions that are or can be targeted by organised crime shows that the private sector and the local administration and government are the primary targets of OC corruption. The low number of corruption incidents in the police forces can be primarily explained by the strict formal and informal controls and clear codes of behaviour within the organization, but also by the fact that the legalisation of drugs and prostitution is naturally accompanied by lower levels of corruption pressures on police officers.

Annex 3: Case study—Spain

(...)

In Spain a variety of historic, socio-economic and criminogenic factors contribute to the increasing scope and complexity of organized crime. As Europe's main entry point for cocaine and for cannabis resin (hashish), Spain continues to provide a fertile ground for drug trafficking with increasing seizures of cocaine and cannabis resin. Smuggling of migrants (comprising largely immigrants coming from the African continent) is another large playing field for organised crime and poses a serious humanitarian challenge. Organised criminal groups also profit from property crime, including by burglarising industrial estates, jewellery shops and dwellings.

Organised crime exercises serious corruption pressures on law enforcement, the local level administration and politicians. Recent cases of police corruption have involved extortion from prostitutes, bars and local businesses, participation in drug trafficking networks, and relationships of certain officers with local "red light district" clubs. Nevertheless, corrupt arrangements in the police are not likely to be long-lasting as internal affairs units investigate cases and can be rather effective in bringing charges against corrupt officials.

Spain's coastline has long attracted criminals and money-launderers, which have exerted corrupt influence on local governance. This type of pressure has challenged the impartiality of the justice system, linking judicial corruption with political corruption.

Judicial corruption is singled out as a serious problem in Spain, whereas the courts are corrupted in order to delay or speed up proceedings, to conceal evidence or judicial records. Judicial impartiality is sometimes achieved in exchange for bribes but most often through political pressures. Politicians place key magistrates in judicial governing bodies and in case of investigations magistrates are able to pressure lower level judges so that their political patrons and related businessmen may be acquitted.

Political parties grant their affiliates access to power and protection (including protection from criminal prosecution) in exchange for loyalty and electoral support. Politics has therefore turned into a market where parties compete like businesses, inspired by personal benefits and supported by corruption. This political system, made up of a network of personal relations and particular interests, is at the core of the so called Spanish "ungovernance".

Annex 4: Case study—Bulgaria

(...)

The isolation caused by the wars in former Yugoslavia, together with the long and rough transition to market economy, weakened the state and led to a sharp decline in households' incomes. As a result, for the first time in history, classic structures of organised crime emerged in Bulgaria. They got involved in trafficking heroin to Western Europe, in the trafficking of people, trading in stolen cars, etc. However,

much harsher were the consequences of the criminal redistribution of national wealth (which was almost entirely state-owned until 1989), and the legalisation of all capital accumulated through criminal activities. Thus organised crime, political and economic elites formed a unique symbiosis.

As the country returned to political and economic stability (1997) and the process of joining the EU was launched (2000), structures of organised crime started to disintegrate and certain criminal markets began to shrink (i.e. the smuggling of consumer and excise goods, stolen cars, racketeering, etc.). When large multinational corporations entered the Bulgarian market, and the national economy got more integrated into the European market, Bulgarian economic groups that had benefited from criminal privatisation and were linked to criminal activities began to steadily lose importance, in particular in key sectors like banking, insurance, and retail. Despite the positive changes in the socio-economic and institutional environment, organised crime groups managed to adapt by concealing their criminal activities under the cover of legal companies. Mass violence got replaced by mass and systemic corruption.

Taking advantage of the culture of family and clientelistic networks in public institutions, organised crime retained its privileged access to national wealth via rigged public tenders and concessions, the cartelisation of gambling, tourism, real estate, etc.

Organised crime exercises its influence at all levels: at the political level, votes get bought at national and local elections and the passing of laws favouring certain business interests is negotiated through lobbying groups; at the magistrates' level, selections, appointments and rulings are being influenced and paid for by middlemen; at the level of the revenue administration, employees of all ranks are being recruited and corrupted to ensure custom duties, income tax and other taxes are avoided; and at the law enforcement level organised crime invests both in horizontal and vertical structures to cover up crimes or to destroy competition. A new trend in the activity of Bulgarian criminal networks, after the country joined the EU, has been the attempt to corrupt officers of foreign administrations to make criminal activities abroad less vulnerable.

Annex 5: Case study—Greece

(...)

The study findings suggest that it is at the political level that the links between corruption and organised crime—particularly white-collar crime—present the greatest dangers to the democratic functioning of Greek society. (...)

Although the size of illegal markets or criminal activities is moderate (as suggested by official OC reports), corruption is actively used throughout. Traditional organised criminal activities—such as drug trafficking, goods smuggling, etc—in some cases enjoy the covert and sometimes organised protection of politicians and/or civil servants at various levels of the administration, police, judiciary, customs and tax authorities.

The interviews have provided evidence on links between the so-called black and gray sectors of the economy, pointing to the difficulties in maintaining a conceptual distinction between the two. The significant levels of white-collar crime explain public perceptions in Greece that organised criminals are behind most corruption. In addition, the pervasive corruption practices related to the activities of ordinary citizens or legitimate companies establish an atmosphere which organised crime benefits from. In this situation, corruption provides a competitive advantage to those business structures—whether in the gray or black sector—which do not operate according to officially established rules.

Annex 6: Case study—France

(...)

The personal experience of citizens with corruption in France (Eurobarometer 2008) places the country slightly below the least corrupt countries of Northern Europe or the UK, yet above its southern neighbours of Italy and Spain. Yet the regional differences within the country (south/north), or specific regions like Corsica, as well as the cultural specifics of the business-political elite networks, create favourable conditions for criminals to use corruption. The often subtle nature of corruption, the passive media, and the high tolerance of the public have created an environment from which white-collar criminals could benefit.

The present research has indicated that in certain regions of France (Corsica and to some extent the south-west) local criminal elites use various forms of corruption on local judicial officials, police officers, and politicians. Although often these cases are not of the classic bribery type, but instead constitute trading in influence or favours, organised crime creates an environment where its activities continue uninterrupted. In other parts of the country sporadic evidence suggests that police corruption and occasional cases of influence over the judiciary occur but the scale is unclear. Political corruption, except in the above mentioned regions, seems to be limited to complex corporate crimes and corruption deals, especially in industries with significant public sector exposure (such as utilities). In these situations well established networks of the French *elite*, whether business or political, facilitate corrupt transactions. The lack of access of criminologists and social scientists to business and political elites or to low class traditional criminals from the ‘milieu’ has left a corruption knowledge gap. The lack of comprehensive government reporting could probably be explained by the fact that two successive French presidents—namely, Jacques Chirac and François Mitterrand—have been involved and prosecuted in a number of political corruption scandals. The shift of power from Mitterrand to Chirac in the late 1990s produced a spur of investigations, corruption trials, and a public debate that have since abated. Although a number of political party financing anti-corruption measures were introduced since the mid 1990s, the continuing lack of proactive anti-corruption mechanisms could mean that corruption networks have simply been transformed and that even subtler mechanisms are now being used.

Annex 7: Methodology

(...)

Annex 8: Statistical analysis

(...)

Annex 9: List of indicators and indexes used in statistical analysis

(...)

Annex 10: Organised crime and corruption in Russia—review of literature

(...)

Annex 11: Organised crime and corruption in the Western Balkans—review of literature

(...)