

# What corruption costs the EU

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RAND EUROPE

# What is the cost of non-Europe?



Single market



Corruption



Schengen

# What is corruption?



The abuse of power  
for private gain'

# Why does it matter?



# Why does it matter?



**\$1**  
trillion

**\$2.6**  
trillion

**€120**  
billion

**World  
Bank**

Why does it matter?

**\$1**  
trillion

**\$2.6**  
trillion

**€120**  
billion

**World Economic  
Forum**

Why does it matter?

**\$1**  
trillion

**\$2.6**  
trillion

**€120**  
billion

European  
Commission

# Study objectives



Economic, social  
and political costs



Gaps and barriers in the  
existing regulatory  
framework



Potential for action  
at EU level





1. Economic, social  
and political costs

Our findings, based on new analysis, suggest that corruption costs the EU between

**€179 billion** and

**€990 billion**

in GDP terms on an annual basis

# How do we measure corruption?

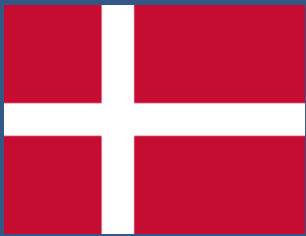


Corruption  
Perception  
Index

Control of  
Corruption  
Index

International  
Country Risk  
Guide

We were able to rate EU countries from the least corrupt...



1. DK



2. FI



3. SE



4. NL



5. LU

...to the most



24. EL



25. LV



26. HR



27. BG



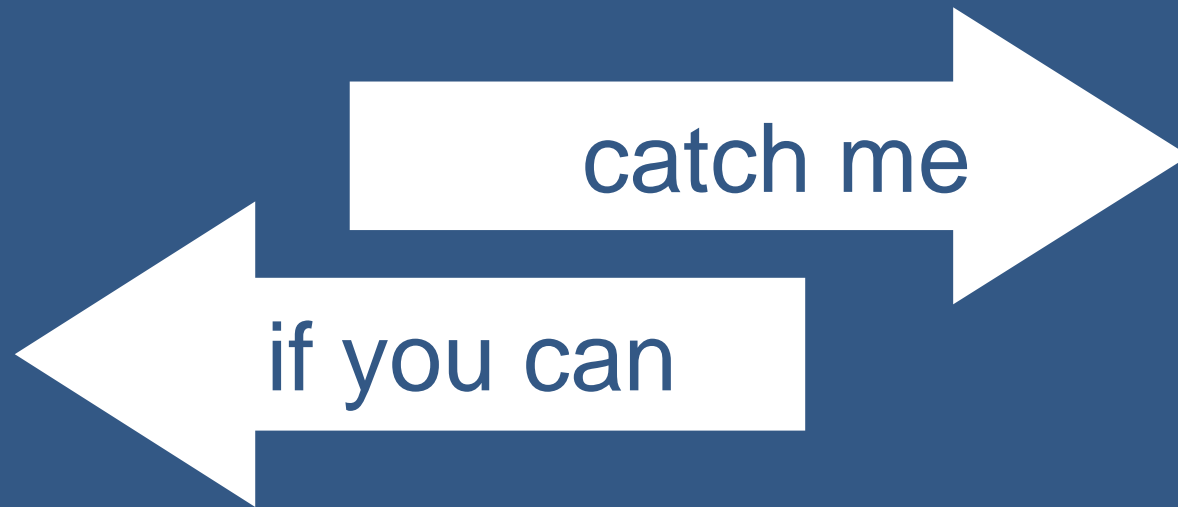
28. RO

The scenarios

**THE  
— MAGNIFICENT —  
SEVEN**

**€908 – €990 billion**

# The scenarios



€218 – €282 billion

The scenarios

# Goodfellas

€179 – €256 billion

# RAND provides new modelling of the **social and political costs** of corruption to the EU



At EU-28 level higher levels of corruption are associated with

- Greater inequality (measured with Gini-index and 20% highest income share)
- Higher perceived levels of organised crime
- Weaker rule of law
- Lower voter turnout at national parliamentary elections
- Lower trust among citizens in EU institutions (EU, Commission, Parliament)



RAND was asked to look at the cost of corruption in relation to public procurement

**€5 billion per year**



Costs of corruption in public procurement vary considerably between Member States and regions



RAND estimate is slightly higher than some previous estimates



## 2. Gaps and barriers in the existing regulatory framework

Anti-corruption policy is primarily a Member State competency but there are a number of EU and international law and monitoring mechanisms



**EU Legislation**



**EU institutions**



**EU monitoring**

e.g. Conventions on the protection of the EU's financial interests; Directives on Public Procurement

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**EU Legislation**



**EU institutions**



**EU monitoring**

e.g. European Anti-Fraud Office; European Parliament; European Commission

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**EU Legislation**



**EU institutions**



**EU monitoring**

e.g. EU Anticorruption Report; Cooperation and Verification Mechanism; Justice Scoreboard



### 3. Potential for action at EU level

# Estimated reduction in annual costs of corruption across the EU in relation to three possible measures



Extending aspects of the Cooperation and Verification Mechanism to other member states



The establishment of a European Public Prosecutor's Office



The implementation of a full EU-wide e-procurement system

# Estimated reduction in annual costs of corruption across the EU in relation to three possible measures



Extending aspects of the Cooperation and Verification Mechanism to other member states



The establishment of a European Public Prosecutor's Office



The implementation of a full EU-wide e-procurement system

**€70 billion**



# Estimated reduction in annual costs of corruption across the EU in relation to three possible measures



Extending aspects of the Cooperation and Verification Mechanism to other member states



The establishment of a European Public Prosecutor's Office



The implementation of a full EU-wide e-procurement system

**€0.2 billion**

# Estimated reduction in annual costs of corruption across the EU in relation to three possible measures



Extending aspects of the Cooperation and Verification Mechanism to other member states



The establishment of a European Public Prosecutor's Office



The implementation of a full EU-wide e-procurement system

**€920 million**

# The study has had a wide range of impacts including...



**Transparency International** invited RAND Europe to present the report's findings



The **Latvian Prime Minister** announced that all dishonest staff on the State Revenue Service will be sacked



The **Croatian Minister of the Economy** requested a meeting with RAND Europe and the European Parliament



The **Colombian President's office** re-tweeted a link to the report before the Anti-Corruption Summit



SCHENGEN

