

Reinhard PRIEBE, Director for Internal security, DG Home Affairs

**OSCE Second Preparatory meeting: Promoting Good Governance and Combating
Corruption in Support of Socio-Economic Development**
Dublin, 23-24 April 2012

Opening Session

I.

1. Let me first of all thank you for inviting the European Commission to this Second Preparatory Meeting for the 20th OSCE Economic and Environmental Forum on "Promoting Security and Stability through Good Governance". We appreciate the close cooperation between OSCE and the EU on many policy subjects which are relevant and important both within the EU and for other countries being part of the OSCE.

Obviously, good governance contributes to promote security and stability. And promoting good governance is essential to support socio-economic development and economic growth.

All the subjects you are working on in preparation of the 20th Economic and Environmental Forum – anti-money-laundering, countering the financing of terrorism, sound management of public resources and budgets, recovery of stolen assets, to mention only a few – are also very much in the focus of current EU policies. Therefore it is essential to exchange views and to coordinate. The challenges are so high that we should join efforts. They are certainly too important to waste resources with overlapping or conflicting initiatives.

I agreed with the chair to focus my intervention today on the ongoing initiatives of the EU in the field of combating corruption.

2. Corruption is not easy to be tackled in any country. Its harmful effects on democracies and societies as a whole, as well as its economic costs and negative impact on fundamental rights are largely acknowledged nowadays. A genuine political will to eradicate corruption is often missing. Many countries are struggling with deeply rooted corruption capturing the very core of their institutions from legislature to executive and judiciary and imposing a way of living and shadow economies widely tolerated and difficult to discard.
3. Corruption affects people and businesses, regardless of nationality. It distorts licit economies, through facilitating tax evasion, lowering investments levels, reducing competition and increasing the costs of doing business. The current challenges in Europe and beyond related to the financial crisis and the urgent need to keep public debts sustainable in particular call for reinforced guarantees for the integrity and transparency of public expenditure.

II. Corruption as a major problem within the EU

4. There are no corruption-free zones. Although the European Union has long been perceived as one of the parts of the world less touched by corruption, it definitively

exists in Europe with significant differences in its nature and extent from one country to the other. Fighting corruption calls for actions, both at EU level and at the national level of its Member States.

5. Corruption has been in the focus of the European Union for more than 15 years now. The EU incorporated in legal instruments dating as far back as 1996 and 1997 criminal law provisions on active and passive corruption before wider Council of Europe and UN instruments have seen the light. In 2003, specific rules on combating corruption in the private sector were adopted at EU level. Corruption is listed by the Treaty on the Functioning of the European Union among the particular serious crimes with a cross-border dimension for which minimum rules on definition of offences and sanctions may be established at EU level.
6. In spite of numerous legal and policy initiatives taken so far, the actual results in tackling corruption across the EU still remain rather unsatisfactory overall. We see this in perception surveys, studies on the costs and effects of corruption, implementation reports on EU legislation and findings of monitoring instruments such as GRECO and the OECD.
7. The Commission's special Eurobarometer survey on corruption presented in February this year reveals the attitudes/perception of Europeans towards corruption. The survey shows that three EU citizens out of four continue to see corruption as a major problem in their country¹ and almost half of the Europeans believe that the level of corruption in their country increased in the past three years².
8. In the 2011 Corruption Perception Index of Transparency International, which measures the level of perceived corruption in the public sector, one third of the EU Member States (i.e. 9) scored less than 5 out of the maximum 10 (perceived as least corrupt), with the lowest in the EU of only 3.3³.
9. A study conducted for the European Commission has estimated the economic costs of corruption in the EU to approximately 120 billion Euros/year (the equivalent of 1% of the EU countries GDP). Moreover, in public procurement, one of the most vulnerable areas to corruption, studies have shown that about 20 to 25% of the public contracts' value in the EU is lost to corruption.
10. Corruption is also closely linked to organised crime. It facilitates the operation of illegal markets (e.g. illegal cigarettes, drugs, prostitution, car-theft, extortion). These are also the type of illegal activities that most often have a cross-border dimension. The Organised Crime Threat Assessment (OCTA) issued by Europol last year mentions that in the area of trafficking of human beings the most threatening criminal groups are those capable of controlling the entire trafficking process, including high-level corruption and money laundering.
11. Fighting corruption has now become a common priority on the public agenda of politicians both at EU and at national level. However, there is a long way to go from declared intentions to genuine will and then to tangible results. As stated very well in your background paper: Anti-corruption instruments are only a first step to address the problem. Effective review mechanisms are needed to ensure the correct implementation by governments.

¹ 74%, as compared to 78% in 2009 see corruption as a major problem in their country (Eurobarometer special corruption 374, 2012.).

² 47% believe that the level of corruption in their country increased in the past three years (Eurobarometer special corruption 374, 2012).

³ The 9 EUMS which scored below 5: LI, HU, CZ, LV, SK, IT, RO, EL, BG. Lowest score: BG (3.3.).

III. How does the European Union intend to address these challenges?

12. In June 2011, the Commission presented a Communication on 'Fighting Corruption in the EU' which intends to reinforce the EU policy against corruption. The new anti-corruption strategy is based on the obvious assumption that corruption cannot be fought against in isolation and that stronger actions are needed at EU level to ensure better results.
13. The Commission wants the new approach of the EU anti-corruption policy to respond more effectively to the citizens' concern that corruption continues to be a major problem in the EU, that the most severe forms of corruption cannot be tackled only by legislative solutions and that, despite major differences between EU Member States, the cross-cutting effects of corruption impact negatively on the Union as a whole.
14. The new EU anti-corruption strategy follows a two-fold approach:
 - It sets up an EU anti-corruption reporting mechanism for a periodic assessment of Member States' efforts against corruption, the EU Anti-Corruption Report and
 - It suggests focusing on corruption across the board in a number of internal and external EU policy fields, as well as reinforced cooperation with existing anti-corruption monitoring mechanisms.
15. With the EU Anti-Corruption Report we do not want to reinvent the wheel. We will build on existing knowledge in terms of evaluation of anti-corruption policies through long-standing monitoring tools like GRECO, OECD and, more recently, the review mechanism of the UN Convention against Corruption (UNCAC). Our reporting should add value on matters most relevant to the EU and should develop innovative measurement and assessment methods to be able to bring about real change.
16. The Report will be issued by the Commission every two years, starting next year. It will point out good and negative practices, EU trends and vulnerabilities.
17. The Report will focus on a number of cross-cutting issues of particular relevance at EU level (such as corruption in public procurement). In addition, selected issues specific to Member State will be highlighted in individual country analyses.
18. The Report will make recommendations, both cross-cutting and tailor-made. It will identify EU trends, stimulate peer learning and further compliance with EU and international commitments, and facilitate the exchange of best practices. Moreover, it will prepare the grounds for future EU policy initiatives.
19. While the recommendations to be made in the EU Anti-Corruption Report will not be legally binding on the Member States, the Commission, through regular assessments and by highlighting outstanding recommendations, should bring about the necessary leverage for Member States to intensify their anti-corruption efforts.
20. Beyond the reporting mechanism, the Commission's Communication on "Fighting Corruption in the EU" calls for stronger focus on corruption and points out the way forward on actions in a range of connected internal and external policy fields, including closer judicial and police cooperation, modernising EU rules on confiscation of criminal assets, a revised public procurement legislation, better crime statistics, an enhanced anti-fraud policy to protect the EU financial interests.
21. As far as EU external policies are concerned, the Commission's Communication of June 2011 pledged for a reinforced focus on corruption in various areas:
22. With regard notably to the enlargement process, recent accessions have shown that at the time of accession it is difficult for acceding countries to demonstrate the irreversibility of anti-corruption reforms. This calls for a reinforced rule of law dialogue with candidate and potential candidate countries at an early stage of the pre-

accession process, making use of stricter benchmarking mechanisms and thorough evaluations, including fact-finding missions. The Commission will therefore continue to give high priority to the monitoring of anti-corruption policies from early stages of the accession preparations with the aim to ensure sustainability of reforms. The enlargement process, although very demanding on the countries in question, offers great opportunities for pushing forward profound reforms.

23. As to the European Neighbourhood Policy, the High Representative and the Commission will promote actions reinforcing the capacity to fight corruption in the neighbourhood countries as a key aspect of the support given.
24. As part of its cooperation and developing policies, the EU will promote a greater use of the conditionality principle to encourage compliance with minimum international anti-corruption standards, as well as a stronger use of anti-corruption provisions already existing in the legal bases for cooperation with partner countries.
25. In the visa dialogue process, anti-corruption policies are among the key issues covered by public order and security matters and are strictly monitored in the dialogue with all countries applying for a visa-facilitation or visa-free regime with the EU.
26. As part of last year's anti-corruption package, the Commission reflected on modalities of EU participation in GRECO. A reinforced cooperation with GRECO is needed to create synergies between the GRECO evaluation system and the future EU corruption reporting.

IV. Wider perspective of protection of licit economy

27. The EU anti-corruption strategy is part of a broader range of EU initiatives to protect of licit economy. Let me just mention two other important initiatives which form part of this package:
 - The new Commission Anti-Fraud Strategy, adopted last year, sets up a number of measures for the protection of EU financial interests. The Commission's Communication on the protection of EU financial interests, covering the criminal law and administrative aspects focusses on safeguarding taxpayers' money at EU level against illegal activities, including against threats posed by corruption inside and outside the EU institutions.
 - Last March, the Commission proposed a Directive on the freezing and confiscation of proceeds of crime. The proposal aims at making it easier for Member States' authorities to confiscate and recover the profits that criminals make from serious and organized crime. The proposal covers also corruption, as defined in the EU legislation, and comprises provisions on: direct confiscation, value confiscation, extended confiscation, non-conviction based confiscation (in limited circumstances), third-party confiscation, effective execution, management of frozen property.
28. Other initiatives have been adopted or are in preparation:
 - disclosure of payments to governments in the extractive and forestry sectors. The Commission adopted in October 2011 a legislative proposal requiring the disclosure, on a country and project basis, of payments to governments by listed and large unlisted companies with activities in the extractive (oil, gas and mining) and forestry sectors. The key objective of this proposal is to enhance transparency and accountability of governments and businesses for exploiting natural resources (oil and gas, minerals and primary forests).
 - revision of public procurement directives: proposal of the Commission adopted in December 2011. It aims at a simplification of procedures, but strengthens at the

same time anti-corruption safeguards. Among the new proposed provisions I would mention those regarding: conflict of interest, setting up of national oversights to monitor the implementation of public procurement rules, introducing red flagging/alert systems to possible fraud and corruption, centralising of data, stricter rules for modification of contracts, expanded exclusion criteria, monitoring of concluded contracts.

- incoming revision of the Third Anti-Money Laundering Directive that will take account of the revised recommendations of the Financial Action Task Force (FATF) scheduled for this autumn. The Commission follows closely the work of the Financial Action Task Force and encourages the extra-focus that FATF has recently put on laundering of proceeds of corruption.

V. Conclusion

29. This – inevitably somewhat lengthy – overview on EU actions hopefully has given you an impression of the wide range of initiatives the EU is currently taking for itself to combat corruption.
30. The anti-corruption package represents a significant step forward towards a reinforced EU anti-corruption policy. Considerable work is ahead of us for turning these commitments into reality. None of the measures proposed in the EU anti-corruption package suggest magic solutions, but we are confident that they may turn into useful tools in fighting more vigorously corruption within the EU. We are confident that these measures will also further improve the anti-corruption policies in our relations to other countries, in particular with those countries aspiring to join the EU and those in our close neighbourhood.
31. The necessary legislation is largely in place, either imposed through international or through European instruments or adopted at national level. However, regulation alone does not bring about the best results. What we need to focus on is implementation. Only joint efforts can bring about results and we therefore need the support of all players to be able to come up with strong anti-corruption tools. Given the importance now attached to this subject we very much appreciate the engagement of OSCE in the fight against corruption.