
Integral approach to the recovery of criminal assets

*Investigation of clues regarding costs and benefits
in the phases of tracing and enforcement*



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Summary

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Authors:

Drs L.A. van Dantzig

Dr J.C. van Rij

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S Summary

S.1 Objective and framework of the study

Cebeon was commissioned by the Research and Documentation Centre (WODC) of the Ministry of Security and Justice to conduct a study to investigate clues regarding costs and benefits in the phases of tracing and enforcement in the integral approach to the recovery of criminal assets. The aim of the study was to gain insight into the best ways to register and monitor related costs and benefits, and to make an inventory of possible ways to strengthen cooperation among executive parties involved.

research question

The main questions concerned the types of financial and social costs and benefits of the integral approach to the recovery of criminal assets:

- Which types of costs and benefits are expected by parties involved?;
- Which data or indicators can be used to (integrally) register these costs and benefits, while keeping the extra administrative burden to a minimum?;
- What is the amount of the costs and benefits of criminal prosecution, and fiscal and administrative activities, if it is already possible to make an estimate at this stage?

The study also pays attention to bottlenecks experienced in practice by partners in the criminal prosecution, fiscal and administrative domains regarding an effective integral approach to recovery and to the side-effects they observe.

definition in this study

‘Recovery’ refers to cash money received by the government from illegally acquired assets of criminals, either obtained directly or indirectly through the sale of goods.

‘Integral recovery’ refers to cooperation in the field of reclaiming criminal assets among chain partners in two or more domains, meaning the criminal prosecution, fiscal, and other administrative domains.

analytical framework SCBA

The aim was to look for clues on which a social cost-benefit analysis (SCBA) can be based. To achieve this, the SCBA step-by-step plan¹ was followed. In an SCBA the ‘zero alternative’ (in this study: monodisciplinary recovery of criminal assets) is compared with one or more ‘policy alternatives’ (integral recovery).

It was investigated how costs and benefits of both alternatives can best be portrayed at the most important chain partners cooperating in the integral approach to recovery. This investigation was carried out by means of a literary study and interviews with the executive parties in two selected RIEC-regions², namely Rotterdam and East Brabant. In the RIEC-context integral cooperation takes place with regard to sharing intelligence, decision-making regarding the deployment of competences and instruments of chain partners

¹ General Guideline for social cost-benefit analyses (CPB/PBL, 2013). In addition, see for example: Procedure for social cost-benefit analyses in the social domain (SEO, 2016).

² RIEC = Regional Intelligence- and Expertise Centre, which supports the cooperation partners in the approach to organised crime. In 2014, the parties involved concluded a national covenant on behalf of an administrative and integrated approach to organised crime, combating bottlenecks in enforcement and stimulating integrity assessments.

– aimed at the expected most effective strategy, and cooperation in the execution of the interventions. The two regions have specific experience with ‘integral recovery’, which is characterised by seizing visible criminal assets by quickly taking action. Representatives of the following chain partners have been interviewed: the Public Prosecutor, the police, the tax authorities, the tax inspectors of the Inland Revenue (FIOD) and municipalities.

S.2 Measurability of benefits and costs

benefits

The study shows that chain partners each use their own definitions of benefits and performance indicators (recovery objectives). Therefore, the benefits are measured according to the definition used in this study. For *financial* benefits, the following measurable quantities are used:

- seizure;
- collection (direct collection of money or proceeds from sold items);
- tax assessment and seizure;
- reclaimed benefits and fines;
- actual benefits received and fines collected;
- damage compensation for injured parties and victims.

Not all definitions fit in with the starting definition of the study. To simply add up the registered benefits of the parties leads to an overestimation due to double counting (first seizure, then collection) or booking mistakes (if seizure does not lead to – full – collection).

The chain partners each register their 'own' financial benefits, and do not distinguish between integral and monodisciplinary benefits. At the tax authorities and the FIOD the registration offers the possibility to generate the benefits of integral recovery separately, because there are specific project codes for the RIEC themes. A variable 'integral case' should be added for the Public Prosecution Service and the police.

This is different for municipalities; due to the distribution of benefits across various municipal departments, no record is kept of the benefits of (integral) recovery of criminal assets in the cases under study.

At the common RIEC level, benefits are recorded integrally, especially with regard to the period that a case is treated integrally. Integral benefits that occur after monodisciplinary continuation, and thus after disappearing from the RIEC workload, are not recorded. A way to gain insight into the total benefits could be to assign a continuous role to coordinating the recording of benefits of the integral cases, in contact with the chain partners.

With regard to *social* benefits, the following descriptions are used:

- impediment to the continuation of crime, for example through closure of premises, withdrawal of permits, but also through the deterrent effect of the recovery itself;
- public trust in the government, through visible action (home raids, seizing expensive cars) and publicity relating to actions and results;
- reduction of deterioration of neighbourhoods, through targeted actions in neighbourhoods with social problems;
- development of new methods for integral recovery.

All interviewed chain partners attach great importance to achieving social benefits. Until now, none of the chain partners systematically records measurable social benefits. However, in some cases social benefits are described qualitatively. With regard to this, there is a clear demand from various interviewed chain partners for concrete tools to monetise these effects. The current study focused on mapping out quantitative information. The way qualitative information on social benefits can be translated into financial

benefits requires separate research including specific data collection and analysis. This is necessary to be able to identify social benefits and arrive at quantification methods.

costs

With regard to all chain partners, the costs mainly concern the deployment of personnel. In part, this specifically relates to personnel capacity dedicated to integral recovery, whether as part of RIEC teams or as internally assigned within an organisation.

The other costs are incurred by each of the chain partners, both during the integral process and after the integral process has been completed and the case is continued by one of the partners in a monodisciplinary way.

The possibilities to map out costs currently differ per chain partner. At the Tax Authorities (auditing), registration of hours spent is done partially and at the FIOD at case level. At the moment, the costs of 'integral recovery' are not recorded separately per type of case at the FIOD; however, since 2018 this would in principle be possible because since that date 'undermining casuistry' is a recognisable variable in the registration.

The Public Prosecution Service and the police currently do not keep track of time spent per project or type of activity. This could in principle be implemented, however, the interwovenness of activities makes it difficult to allocate hours to a specific category or case and leads to an increase in administrative burden. This requires a well-considered choice of registration categories and extra efforts of executive staff to keep track of the hours spent on these specific categories.

This is different for municipalities; due to the distribution of activities across the various municipal departments time spent on (integral) recovery of criminal assets is not recorded as such (in the cases examined).

At the municipal level within the RIEC, only the total costs spent at RIEC are recorded. Time registration specified to type of work activity or (types of) cases does not occur. Therefore, the hours spent on 'recovery' cannot be distinguished from other costs.

This means that a comprehensive measurement of actual costs made by all partners involved does not appear to be feasible in the short term. Therefore, in this study, other possibilities have been investigated to create a realistic image of the cost volume. In the meantime, steps can be taken to make the measurement possible in the longer term.

The costs can be estimated by starting from budgets or staff complement: what is the capacity of each chain partner and what part of this is involved in integral recovery? To this end, coordination is needed to collect this information from the main chain partners. This creates insight into the costs, although not down to the penny, but it does give a reliable indication of the macro amount.

Moreover, if this happens in the same way annually, developments over time can be traced. This provides clues to draw conclusions about the relationship between cost development on the one hand and financial and social benefits on the other.

Furthermore, with extra effort, there is the possibility to introduce time registration in organisations where this is currently not being done. Specific consideration must be given to the level of detail with which hours are registered. In order to show the costs of integral recovery, it may not be necessary to register hours per case, but to register at the aggregate level, for types of cases. Coordination between chain partners is important in this regard, in order that delineation of categories leads to meaningful and comparable information.

If actual registration turns out to be complex or involves a relatively high administrative burden, an estimation of the costs may be considered. In this way, with limited efforts, an attempt can be made to nevertheless gain insight into the scale of the costs.

S.3 Considerations and follow-up steps

The study yielded clues for follow-up steps to an SCBA or other forms of monitoring of the costs and benefits of (integral) recovery of criminal assets. In this regard, bottlenecks and side effects that have been observed should be taken into account.

Bottlenecks and side effects

The aim of the study was not only to explore the possibilities for developing an SCBA, but also to identify obstacles and side-effects of integral recovery. The following bottlenecks have been observed:

- own objectives per chain partner: because chain partners apply their own objectives, they appear to be less inclined to devote manpower to integral cooperation if another chain partner takes the lead.
- cooperation in the execution phase: collaboration in the initial phase (information exchange, action plan) appears to be more obvious in practice than cooperation in the execution phase (keeping each other informed of activities and results). By keeping each other informed during execution one can reinforce each other.
- capacity and prioritisation: some organisations provide earmarked or maximised capacity. This means that choices must be made and priorities must be set for each organisation individually.
- availability of financial benefits: the Coalition Agreement stipulates that benefits from criminal and fiscal recovery become the property of the Dutch state. They do not directly benefit the executive organisations. Some argue that this should in fact be possible in order to stimulate the efforts of these organisations and to make the approach visible to society. On the other hand, to allow benefits to flow back to the organisations is not only contrary to the Coalition Agreement; it can also result in a perverse incentive.
- opportunities that remain unused: at the moment no optimal use is made of signs pointing to the existence of criminal assets. More attention can be paid to e.g. signals of the Financial Intelligence Unit (FIU) and earlier mutual reporting among chain partners. In addition, closed and open data sources should be used more. Moreover, such allocation of benefits presupposes that the efforts of each of the actors in the recovery process is clear. However, the study shows that many organisations do not have a clear view of the attributable costs.
- from reactive to proactive?: for example, through data mining meaningful information could be generated to detect undermining crime at an early stage. Due to current privacy legislation and the Police Data Act this is not allowed just like that.

In the study, several additional effects of integral recovery emerged. Within the scope of this study, nothing can be said about crime displacement (part of the research question). However, the following side effects have been found:

- When raiding a building to seize assets, often unforeseen items or persons are encountered, which appear to provide very useful leads for other (large) ongoing investigative cases.
- When raiding a building, it occurs that more capital, including cash, is found than anticipated, with which outstanding claims from chain partners (for example a benefit claim from the municipality) can be paid.
- Administrative interventions (withdrawing a permit, closing down premises) prevent the continuation of criminal activities.

Recovery efforts do not only lead to the recovery of assets; due to the integral approach, the continuation of criminal activities is also prohibited. Networks are disrupted, premises closed down, and facilitating forces can also be brought to a standstill.

points of interest to monitoring design

Below we will list a few considerations which must be taken into account if a cost-benefit monitor is to be developed with regard to the recovery of criminal assets:

- make explicit choices with respect to the monitoring objectives;
- delineation of integral recovery as opposed to monodisciplinary recovery: administrative agreements are necessary with regard to the question which types of cases and which preparatory and finalisation activities should be considered as ‘integral recovery activities’;
- treatment of definition differences with regard to ‘benefits’: different types of benefits can be mapped out separately. In order to gain insight in the total benefits in the Netherlands in order to prohibit double counting, it is necessary to have a clear view as to which numbers can be added up, which overall figures are relevant to be presented and in which way social benefits can be monetised;
- costs involve more than the addition of costs relating to integral cases: costs are not only made for completed RIEC cases, but also for cases that do not ultimately become integral cases (they are introduced in an integral context, but – after information exchange and consideration – not picked up as integral cases), cases that are discontinued prematurely or that are completed but do not yield money. These general costs that cannot be ascribed to one particular case, do belong to the efforts made for integral recovery and should therefore not be neglected.
- interwovenness of recovery costs and other costs of (integral) cases: in general RIEC cases costs cannot be linked directly to ‘recovery’, but only to the cases in their entirety. The costs that relate to recovery should be separated from the total. In specific recovery cases all efforts made can be ascribed to ‘recovery’.

considerations for continuation

The study does not only show possibilities and impossibilities with regard to the registration of data, but also questions that need further discussion and elaboration:

- Is it absolutely necessary to provide insight into the costs and benefits of integral recovery separately?
- Can a distinction be made between integral recovery and monodisciplinary recovery?
- How should ‘benefits’ of (integral) recovery be defined?
- At which level is insight in costs desirable or necessary?
- How can registrations be improved?
- How precise should the figures be according to the ministry, whether or not presented in an SCBA?
- Do the expenses of additional registration outweigh the benefits?