Chapter 10

Recommendations for Combating Corruption and Fraud: Insights from the V4 and Ukraine

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10.1. Introduction

The project aimed to share the knowledge of the Visegrad Group countries and Ukraine in fighting corruption, counteracting fraud and money laundering. During the implementation of the project, three seminars were held, and three monographs created – this is the last of them. Based on scientific research and publications contained in these monographs, recommendations can be made in seven areas: fighting corruption, fighting CIT fraud, fighting PIT fraud, fighting money laundering, fight other types of fraud, AI and fight against corruption and fraud, and modern tools for fighting corruption and fraud. The recommendations resulting from the research of the project participants are presented below.

10.2. Fight Against Corruption

Corruption remains a significant impediment to economic stability, public trust, and institutional effectiveness in both Visegrad Group (V4) countries and Ukraine. Despite notable anti--corruption reforms such as Ukraine's Prozorro public procurement system and the establishment of anti-corruption bodies e.g. NACP (National Agency on Corruption Prevention) and NABU (National Anti-Corruption Bureau of Ukraine), systemic corruption persists due to entrenched political and economic interests (Luty et al., 2024).

To effectively combat corruption, the following strategies are recommended.

- **Strengthening Legal and Institutional Frameworks:** governments must ensure the independence of judicial institutions and enforcement agencies. Legal reforms should focus on increasing the efficiency of anti-corruption investigations and ensuring the swift prosecution of corruption cases.

- **Enhancing Transparency and Public Participation:** digital public procurement systems should be expanded and improved to reduce opportunities for bribery and favouritism. Countries should adopt real-time monitoring tools to track public expenditure.
- **Anti-Corruption Education and Awareness:** awareness campaigns targeting public officials, businesses, and citizens can foster a culture of integrity. Ethical training programmes in public administration can also reduce the tolerance for corruption.
- **Whistleblower Protection:** stronger legal protections should be provided for whistleblowers to encourage the reporting of corrupt practices without fear of retaliation (Luty et al., 2024).

10.3. Fight Against Corporate Income Tax (CIT) Fraud

CIT fraud, including **profit shifting, transfer pricing manipulation, and tax evasion through offshore entities**, remains a significant issue in the V4 countries and Ukraine (Balytska et al., 2025). Practical strategies to counter CIT fraud include (Chuy et al., 2025):

- **Strengthening International Tax Cooperation:** aligning national tax regulations with OECD's BEPS (Base Erosion and Profit Shifting) framework can help limit aggressive tax planning.
- **Enhancing Transfer Pricing Controls:** governments should implement stricter transfer pricing regulations requiring detailed documentation of intra-group transactions.
- **Data-Driven Tax Audits:** AI-powered data analytics can identify inconsistencies in financial reporting and detect suspicious tax practices.
- **Tax Reporting Transparency:** public disclosure of corporate tax contributions can discourage aggressive tax avoidance schemes.

10.4. Fight Against Personal Income Tax (PIT) Fraud

Personal income tax fraud primarily manifests as undeclared income, false deductions, and disguised employment relationships (e.g. the Švarc systém in Czechia, see (Balytska et al., 2025)). Measures to combat PIT fraud include:

- **Progressive Taxation and Simplified Reporting:** moving toward a progressive tax system and reducing administrative complexities can encourage voluntary compliance.
- **Enhanced Digital Monitoring:** integrating electronic payroll systems and digital tax filings can improve the detection of undeclared earnings.
- **Penalties and Incentives:** while increasing penalties for tax evasion is necessary, providing incentives such as tax amnesty programmes can encourage individuals to declare previously hidden income.

10.5. Fight Against Money Laundering

The fight against money laundering has gained prominence, particularly in Ukraine, where the war has increased the risks related to financial crime and terrorist financing (Balytska et al., 2025). Recommendations include:

- **Implementing Blockchain-Based Solutions:** blockchain technology enables the real-time tracking of financial transactions, reducing the ability to launder money through complex financial networks.
- **Enhancing International Cooperation:** stronger collaboration with Europol, FATF (Financial Action Task Force), and the European Commission can facilitate information sharing and coordinated enforcement actions.
- **Stricter AML (Anti-Money Laundering) Compliance for Cryptocurrencies:** governments should impose Know Your Customer (KYC) and transaction monitoring requirements on cryptocurrency exchanges.
- **Advanced AI and Machine Learning Tools:** AI-driven financial crime monitoring systems can detect suspicious patterns in banking transactions.

10.6. Fight Against Other Types of Fraud (VAT Fraud, Financial Statement Manipulation, and Fraudulent Business Practices)

VAT fraud, particularly carousel fraud, results in billions of euros in lost tax revenue across the EU (Chuy et al., 2025). Additionally, creative accounting and fraudulent business practices undermine financial stability. Strategies to mitigate these issues include:

- **Expanding Reverse Charge Mechanisms:** the domestic reverse charge system has successfully prevented fraudulent VAT refunds in high-risk sectors (e.g. fuel trade in the Czech Republic).
- **Real-Time Invoice Verification:** implementing automated VAT reporting and e-invoicing systems can significantly reduce fraud risks.
- **Strengthening Financial Audits:** regulators should enforce mandatory external audits for companies operating in fraud-prone industries.
- **Public Transparency Measures:** encouraging companies to disclose non-financial information, including anti-corruption policies, can deter fraudulent practices.

10.7. AI and the Fight Against Corruption and Fraud

Artificial Intelligence (AI) is a transformative tool for fraud detection, capable of analysing vast datasets in real-time and identifying patterns indicative of fraud (Chuy et al., 2025). Key AI--driven approaches include:

- **AI-Powered Risk Assessments:** machine learning algorithms can assess the likelihood of fraud based on historical data and risk indicators.
- **Blockchain for Fraud Prevention:** distributed ledger technology can improve the transparency of financial transactions and public procurement processes.
- **AI-Powered Whistleblower Platforms:** secure AI-driven reporting systems can facilitate the anonymous submission of fraud-related evidence.
- **Automated Compliance Systems:** AI can automatically flag suspicious financial transactions, tax declarations, and procurement bids.

10.8. Modern Tools for Fighting Corruption and Fraud

Several modern tools have proved to be effective in the fight against financial crime and corruption (Balytska et al., 2025; Chuy et al., 2025; Luty et al., 2024). The most promising include:

- **Big Data Analytics:** governments should leverage large-scale data analysis to detect inconsistencies in tax filings, procurement records, and financial statements.
- **Electronic Public Procurement Platforms:** expanding systems such as Prozorro can improve transparency in government contracting.
- **AI-Driven Tax Compliance Platforms:** countries should invest in real-time tax monitoring and automated compliance systems to reduce fraud.
- **RegTech and SupTech Solutions:** regulatory technology (RegTech) and supervisory technology (SupTech) can help financial regulators detect fraud faster and ensure compliance with AML laws.
- **Cross-Border Data Sharing Agreements:** establishing secure data exchange mechanisms between tax administrations and financial intelligence units across Europe can enhance fraud prevention efforts.

10.9. Conclusions

The fight against corruption and fraud requires a multi-faceted approach, combining legislative reforms, digital innovations, and international cooperation. Lessons from the V4 countries and Ukraine demonstrate that while progress has been made, there is still significant room for improvement in tax enforcement, corporate transparency, and anti-money laundering efforts. By adopting AI-driven solutions, blockchain technology, and cross-border regulatory frameworks, the authorities can strengthen fraud prevention and ensure economic stability.

References

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