



Procedure file

Basic information		
INI - Own-initiative procedure	2015/2128(INI)	Procedure completed
Annual report 2014 on the protection of the EU's financial interests - Fight against fraud		
Subject 8.70.04 Protecting financial interests of the EU against fraud		

Key players			
European Parliament	Committee responsible	Rapporteur	Appointed
	CONT Budgetary Control		16/06/2015
		Vers/ALE JÁVOR Benedek	
		Shadow rapporteur	
		PPE PITERA Julia	
		S&D PIRINSKI Georgi	
		ECR VISTISEN Anders Primdahl	
		ALDE ALI Nedzhmi	
		GUE/NGL DE JONG Dennis	
		EFDD VALLI Marco	
	Committee for opinion	Rapporteur for opinion	Appointed
	INTA International Trade		15/06/2015
		ECR LOONES Sander	
	REGI Regional Development		17/06/2015
		S&D VAUGHAN Derek	
	LIBE Civil Liberties, Justice and Home Affairs		25/05/2015
		ALDE JEŽEK Petr	
	AFCO Constitutional Affairs		15/07/2015
		S&D BRESSO Mercedes	
European Commission	Commission DG European Anti-Fraud Office (OLAF)	Commissioner GEORGIEVA Kristalina	

Key events			
11/06/2015	Committee referral announced in Parliament, 1st reading/single reading		
28/01/2016	Vote in committee, 1st reading/single reading		
12/02/2016	Committee report tabled for plenary, single reading	A8-0026/2016	Summary
07/03/2016	Debate in Parliament		
08/03/2016	Results of vote in Parliament		

08/03/2016	Decision by Parliament, 1st reading/single reading	T8-0071/2016	Summary
08/03/2016	End of procedure in Parliament		

Technical information

Procedure reference	2015/2128(INI)
Procedure type	INI - Own-initiative procedure
Procedure subtype	Annual report
Legal basis	Rules of Procedure EP 54
Other legal basis	Rules of Procedure EP 159
Stage reached in procedure	Procedure completed
Committee dossier	CONT/8/03640

Documentation gateway

Committee draft report		PE565.164	22/10/2015	EP	
Committee opinion	REGI	PE567.811	13/11/2015	EP	
Committee opinion	LIBE	PE567.819	02/12/2015	EP	
Committee opinion	INTA	PE567.824	02/12/2015	EP	
Amendments tabled in committee		PE573.013	07/12/2015	EP	
Committee opinion	AFCO	PE567.765	07/01/2016	EP	
Committee report tabled for plenary, single reading		A8-0026/2016	12/02/2016	EP	Summary
Text adopted by Parliament, single reading		T8-0071/2016	08/03/2016	EP	Summary
Commission response to text adopted in plenary		SP(2016)349	04/07/2016	EC	

2015/2128(INI) - 12/02/2016 Committee report tabled for plenary, single reading

The Committee on Budgetary Control adopted the own-initiative report by Benedek JÁVOR (Greens/EFA, HU) on the Annual Report 2014 on the Protection of the EUs Financial Interests Fight against fraud.

Members noted that all the irregularities reported involve a total amount of around EUR 3.24 billion. The overall financial impact of fraudulent and non-fraudulent irregularities reported in 2014 is 36 % greater than in 2013, while the number of such irregularities increased by 48 %. EUR 2.27 billion of the reported irregularities relates to expenditure, representing 1.8 % of total payments.

The report noted with concern that the amount of traditional own resources (TOR) affected by fraud in 2014 was 191 % higher than in 2013, and the amount affected by non-fraudulent irregularities was 146 % higher in 2014 than in the previous year.

Faced with these issues, Members suggested the following measures:

Better reporting: despite the numerous calls from Parliament for the establishment of uniform reporting principles in all Member States, the situation remains highly unsatisfactory. The Commission has been urged to make serious efforts to resolve the problem of differing approaches by Member States to detecting irregularities, and non-homogeneous interpretations when applying the EU legal framework.

In particular, the Commission should:

- harmonise the framework for the reporting of 'suspected fraud' and to establish rules on the reporting of all judicial action undertaken in the Member States in relation to potential fraudulent use of EU resources;
- develop a system of strict indicators and easily applicable, uniform criteria in order to measure the level of corruption. Corruption affects all Member States and costs the EU economy around EUR 120 billion per year;
- swiftly promote legislation on the minimum level of protection for whistle-blowers in the EU;
- maintain its strict policy on interruption and suspension of payments;
- implement Article 325 TFEU right across the spectrum of EU policies and for action not just in response to cases of fraud but also to

prevent them.

Better controls: faced with the complex nature of irregularities, the Commission and the Member States must take firm action against fraudulent irregularities. Non-fraudulent irregularities should be tackled by means of administrative measures, and in particular through more transparent and simpler requirements, more technical assistance from the Commission to the Member States, and enhanced exchanges of good practices and lessons learned. The methodology for calculating error rates must be harmonised at EU and Member State level.

The report encouraged the Commission to further enhance its supervisory role through audit, control and inspection activities, remedial action plans and early warning letters.

Member States are called upon to intensify their efforts and to tap their potential to detect and correct errors prior to claiming reimbursement from the Commission.

Members stressed that the [European Public Prosecutor's Office regulation](#) should also be adopted swiftly, and demands that the Council explain its reasons for delaying the negotiation.

Public procurement: noting that the level of irregularities due to non-compliance with public procurement rules remains high, the report called on the Member States to transpose rapidly into national law [Directive 2014/24/EU of the European Parliament and of the Council](#) on public procurement, which makes e-procurement mandatory and introduces monitoring and reporting obligations to curb procurement fraud and other serious irregularities.

The Commission is called upon to:

- make it compulsory to publish all documentation relating to beneficiaries, and in particular to subcontractors;
- apply strictly the measures pertaining to discretion and exclusion in respect of public procurement, with proper background checks being carried out in every instance;
- apply the exclusion criteria in order to debar companies in the event of any conflict of interest, this being essential to protect the credibility of the institutions.

Performance-based budgeting and the value for money approach: Members called on the Commission to adopt the planning, implementation and control phase of the multiannual financial framework in accordance with the principle of performance-based budgeting. The Commission should reinforce its activities in relation to applying efficiency and effectiveness indicators in all its programmes, and not to concentrate only on the error rate. It should start focusing also on the new triptych (ecology, equality and ethics).

Tobacco smuggling and counterfeit goods: Members are worried about the finding by the European Ombudsman that, with the exception of DG Health, the Commission was not fully implementing UN WHO rules and guidelines governing transparency and tobacco lobbying. They urged all the relevant EU institutions to implement Article 5(3) of the WHO Framework Convention on Tobacco Control (FCTC).

Members welcomed the successful outcomes of numerous joint customs operations (JCOs) involving the cooperation of OLAF and Member States with various third-country services, which have resulted in the seizure of, inter alia, 1.2 million counterfeit goods, including perfumes, vehicle spare parts, electronic devices and 130 million cigarettes. They recalled that direct losses in customs revenue as a result of cigarette smuggling alone are estimated at more than EUR 10 billion a year.

In general, Members are very concerned about the increasing incidence of smuggling, trafficking and other forms of illegal and illicit trade, which are also strongly associated with organised international crime. In this regard, they called for better coordination between OLAF, customs authorities and market surveillance authorities in order not only to combat these problems but also to curb the trade in products that infringe intellectual property laws in the EU.

Lastly, the report noted OLAF's role within different joint customs operations in preventing losses for the EU budget. OLAF is asked to include in its future annual reports more information and concrete figures concerning its contribution to protecting the revenue side of the EU budget.

2015/2128(INI) - 08/03/2016 Text adopted by Parliament, single reading

The European Parliament adopted by 576 votes to 50, with 84 abstentions, a resolution following the [Annual Report 2014](#) on the Protection of the EU's Financial Interests Fight against fraud.

Parliament stressed that sound public spending and the protection of the EU's financial interests should be key elements of the EU's policy. However, the diversity of legal and administrative systems in the Member States presents a challenging environment in which to overcome irregularities and combat fraud and the Commission should therefore step up its efforts to ensure that the fight against fraud is implemented effectively and produces more tangible and more satisfactory results.

Members noted that:

- all the irregularities reported involve a total amount of around EUR 3.24 billion. The overall financial impact of fraudulent and non-fraudulent irregularities reported in 2014 is 36 % greater than in 2013, while the number of such irregularities increased by 48 %. EUR 2.27 billion of the reported irregularities relates to expenditure, representing 1.8 % of total payments;
- the amount of traditional own resources (TOR) affected by fraud in 2014 was 191 % higher than in 2013, and the amount affected by non-fraudulent irregularities was 146 % higher in 2014 than in the previous year. In 13 of the 26 Member States examined in 2014, the average estimated VAT loss exceeded 15.2 %.

Faced with these issues, Parliament suggested the following measures:

Better reporting: the Commission has been urged to make serious efforts to resolve the problem of differing approaches by Member States to detecting irregularities, and non-homogeneous interpretations when applying the EU legal framework. Parliament is worried, furthermore, that the overall time lapse in the cohesion field between the occurrence of an irregularity, its detection and its final reporting to the Commission has increased to 3 years and 4 months.

In particular, the Commission should:

- harmonise the framework for the reporting of 'suspected fraud' and to establish rules on the reporting of all judicial action undertaken in the Member States in relation to potential fraudulent use of EU resources;
- develop a corruption index in order to categorise the Member States. Corruption affects all Member States and costs the EU economy around EUR 120 billion per year;
- swiftly promote legislation on the minimum level of protection for whistle-blowers in the EU;
- maintain its strict policy on interruption and suspension of payments and propose the creation of a comprehensive system of early detection and exclusion;
- implement Article 325 TFEU right across the spectrum of EU policies and for action not just in response to cases of fraud but also to prevent them.

The resolution underlined the importance of access to information and the transparency of lobbying, and of using EU funding to support the work of independent organisations in this area.

Better controls: faced with the complex nature of irregularities, the Commission and the Member States must take firm action against fraudulent irregularities. Non-fraudulent irregularities should be tackled by means of administrative measures, and in particular through more transparent and simpler requirements, more technical assistance from the Commission to the Member States, and enhanced exchanges of good practices and lessons learned. The methodology for calculating error rates must be harmonised at EU and Member State level.

Parliament encouraged the Commission to further enhance its supervisory role through audit, control and inspection activities, remedial action plans and early warning letters.

Member States are called upon to intensify their efforts and to tap their potential to detect and correct errors prior to claiming reimbursement from the Commission.

Members stressed that the [European Public Prosecutor's Office regulation](#) should also be adopted swiftly, and demanded that the Council explain its reasons for delaying the negotiation.

Public procurement: noting that the level of irregularities due to non-compliance with public procurement rules remains high, Parliament called on the Member States to transpose rapidly into national law [Directive 2014/24/EU of the European Parliament and of the Council](#) on public procurement, which makes e-procurement mandatory and introduces monitoring and reporting obligations to curb procurement fraud and other serious irregularities.

The Commission is called upon to:

- make it compulsory to publish all documentation relating to beneficiaries, and in particular to subcontractors;
- apply strictly the measures pertaining to discretion and exclusion in respect of public procurement, with proper background checks being carried out in every instance;
- apply the exclusion criteria in order to debar companies in the event of any conflict of interest;
- consider submitting a proposal that would make compulsory the publication of all financial reports and projects relating to major public works, including documentation on subcontractors.

Performance-based budgeting and the value for money approach: Parliament called on the Commission to adopt the planning, implementation and control phase of the multiannual financial framework in accordance with the principle of performance-based budgeting. The Commission should reinforce its activities in relation to applying efficiency and effectiveness indicators in all its programmes, and not to concentrate only on the error rate. It should start focusing also on the new triptych (ecology, equality and ethics).

The resolution called for the mandatory inclusion of ex-ante assessments of environmental, economic and social added value in the process for selecting projects for funding, both within and outside the Union, and for the results of those assessments and the indicators used to be made public and to be fully accessible.

Tobacco smuggling and counterfeit goods: Members are worried about the finding by the European Ombudsman that, with the exception of DG Health, the Commission was not fully implementing UN WHO rules and guidelines governing transparency and tobacco lobbying. They urged all the relevant EU institutions to implement Article 5(3) of the WHO Framework Convention on Tobacco Control (FCTC).

Parliament welcomed the successful outcomes of numerous joint customs operations (JCOs) involving the cooperation of OLAF and Member States with various third-country services, which have resulted in the seizure of, inter alia, 1.2 million counterfeit goods, including perfumes, vehicle spare parts, electronic devices and 130 million cigarettes. It recalled that direct losses in customs revenue as a result of cigarette smuggling alone are estimated at more than EUR 10 billion a year.

In general, Members are very concerned about the increasing incidence of smuggling, trafficking and other forms of illegal and illicit trade, which are also strongly associated with organised international crime. In this regard, they called for better coordination between OLAF, customs authorities and market surveillance authorities in order not only to combat these problems but also to curb the trade in products that infringe intellectual property laws in the EU.

Lastly, Parliament noted OLAF's role within different joint customs operations in preventing losses for the EU budget. OLAF is asked to include in its future annual reports more information and concrete figures concerning its contribution to protecting the revenue side of the EU budget.

Members called for the Commission to clarify the main reasons that Member States are not following up alleged cases of fraud affecting the EU's financial interests, as submitted to them by OLAF.