



# Procedure file

Basic information		
INI - Own-initiative procedure	<a href="#">2017/2216(INI)</a>	Procedure completed
Annual report 2016 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
	<b>CONT</b> Budgetary Control	S&D <a href="#">PARGNEAUX Gilles</a>	11/10/2017
		Shadow rapporteur PPE <a href="#">MARINESCU Marian-Jean</a> ECR <a href="#">CZARNECKI Ryszard</a> ALDE <a href="#">ALI Nedzhmi</a> GUE/NGL <a href="#">DE JONG Dennis</a> Verts/ALE <a href="#">JÁVOR Benedek</a> EFDD <a href="#">VALLI Marco</a> ENF <a href="#">JALKH Jean-François</a>	
	Committee for opinion	Rapporteur for opinion	Appointed
	<b>LIBE</b> Civil Liberties, Justice and Home Affairs	PPE <a href="#">KUDRYCKA Barbara</a>	07/12/2017
European Commission	Commission DG <a href="#">Budget</a>	Commissioner OETTINGER Günther	

Key events			
26/10/2017	Committee referral announced in Parliament, 1st reading/single reading		
26/03/2018	Vote in committee, 1st reading/single reading		
09/04/2018	Committee report tabled for plenary, single reading	<a href="#">A8-0135/2018</a>	Summary
02/05/2018	Debate in Parliament		
03/05/2018	Results of vote in Parliament		
03/05/2018	Decision by Parliament, 1st reading/single reading	<a href="#">T8-0196/2018</a>	Summary
03/05/2018	End of procedure in Parliament		

Technical information

Procedure reference	2017/2216(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/8/11242

### Documentation gateway

Committee draft report		<a href="#">PE612.146</a>	17/11/2017	EP	
Amendments tabled in committee		<a href="#">PE616.654</a>	01/02/2018	EP	
Committee opinion	<b>LIBE</b>	<a href="#">PE615.289</a>	20/02/2018	EP	
Committee report tabled for plenary, single reading		<a href="#">A8-0135/2018</a>	09/04/2018	EP	Summary
Text adopted by Parliament, single reading		<a href="#">T8-0196/2018</a>	03/05/2018	EP	Summary
Commission response to text adopted in plenary		<a href="#">SP(2018)482</a>	21/09/2018	EC	

## 2017/2216(INI) - 09/04/2018 Committee report tabled for plenary, single reading

The Committee on Budgetary Control adopted an own-initiative report by Gilles PARGNEAUX (S&D, FR) on the annual report 2016 on the protection of the EUs financial interests Fight against fraud.

Member States and the Commission have shared responsibility for implementing approximately 74 % of the Unions budget for 2016.

Members welcomed that the total number of fraudulent and non-fraudulent irregularities reported in 2016 (19 080 cases) was 15 % lower than in 2015 (22 349 cases) and their value had decreased by 8 % (from EUR 3.21 billion in 2015 to EUR 2.97 billion in 2016).

Members deplored the fact that not all Member States have adopted national anti-fraud strategies and that there is still a gap between the Member States in the reporting process. The Commission is invited to continue its efforts to help Member States to step up the level and quality of inspections and share best practices in combating fraud.

The report welcomed the adoption of the Directive on the fight against fraud to the Unions financial interests by means of criminal law (the [PIF Directive](#)), which includes cross-border VAT fraud involving total damages of at least EUR 10 million.

It also welcomed the decision of 20 Member States to proceed with the establishment of the [European Public Prosecutor's Office](#) through enhanced cooperation. In this context, it called for effective cooperation among Member States, the EPPO, OLAF and Eurojust.

Revenue - own resources: Members expressed concern about losses due to the VAT gap and fraud relating to EU VAT, which amounted to EUR 159.5 billion in 2015. They emphasised that the problems related to cross-border VAT fraud demand strong, coordinated and speedy measures. The Commission is urged to speed up its procedures to present its proposals for a definitive VAT system as provided for in the action plan.

Tobacco smuggling into the European Union has intensified in recent years and is estimated to result in an annual loss of EUR 10 billion in public revenue to the EU and Member States budget. The latter should improve their efforts to combat these illegal activities.

Members deplored the disparities in the customs checks carried out within the EU and the large amounts involved in fraud affecting the own resource collection system. They called on the Commission to strengthen the common policy on customs checks by providing for genuine harmonisation with a view to improving the collection of traditional own resources and to ensure the EUs security and economic interests, focusing in particular on efforts to combat trade in illicit and counterfeit products.

Expenditure: Members regretted that this is the fourth year in which the irregularities reported as fraudulent in direct management increased in number and value (EUR 0.78 million in 2015 and EUR 6.25 million in 2016). They called on the Commission to present by the end of 2018 a specific plan to reduce fraud in this area.

The report noted that the number of reported fraudulent and non-fraudulent irregularities concerning the European Agricultural Fund for Rural Development (EAFRD), while decreasing from 3 250 cases in 2015 to 2 676 cases in 2016, is still twice as high as in 2012, but wished to highlight that the amounts concerned in 2016 are only 8 % higher than in 2012.

The 8 497 fraudulent and non-fraudulent irregularities linked to cohesion policy and fisheries in 2016 represented a 22 % decrease compared to 2015, but are still 25 % higher than the average for the last five years.

The level of irregularities due to non-compliance with public procurement rules remains high. The Commission is invited to develop a database

of irregularities, capable of providing a basis for meaningful analysis in a comprehensive way of the frequency, seriousness and causes of public procurement errors.

In view of the problems highlighted, the report suggested taking the following measures:

Improving controls: Members called for firmer measures against fraudulent irregularities and that non-fraudulent irregularities should be eliminated using administrative measures, in particular by introducing more transparent and simpler requirements.

In particular, a system enabling the authorities to exchange information would facilitate the cross-checking of accounting records for transactions between two or more Member States in order to prevent cross-border fraud in respect of the structural and investment funds.

Prevention: the report called for the strengthening of the implementation of the Early Detection and Exclusion System (EDES) and Anti-Fraud Information System (AFIS) and for the completion of the national antifraud strategies.

The Commission is invited to:

- submit as a matter of urgency a horizontal legislative proposal on the protection of whistleblowers in order to effectively prevent and combat fraud affecting the financial interests of the European Union; investigative journalism should be encouraged by legal means both in the Member States and within the Union;
- commit to a much more credible and comprehensive anti-corruption strategy. Members recalled that in its [resolution of 25 October 2016](#), Parliament called for the establishment of an annual report on democracy, the rule of law and fundamental rights, including country-specific recommendations, with special focus on corruption;
- put in place, at EU level, all necessary measures to track and trace Philip Morris International tobacco products and to bring legal action in the event of any illegal seizures of this manufacturers products until all provisions of the Tobacco Products Directive are fully enforceable.

OLAF investigations: Members deplored the fact that despite numerous OLAF recommendations and investigations, the prosecution rate is only 30 % in the Member States and the judicial authorities of some Member States do not regard OLAFs recommendations on the mispending of EU money as a priority.

Also deploring the fact that around 50 % of OLAF cases are dismissed by national judicial authorities, Members called on the Member States, the Commission and OLAF to lay down conditions for the admissibility of evidence provided by OLAF.

## 2017/2216(INI) - 03/05/2018 Text adopted by Parliament, single reading

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The European Parliament adopted by 558 votes to 45, with 40 abstentions, a resolution on the annual report 2016 on the protection of the EUs financial interests Fight against fraud.

Better fraud detection: Member States and the Commission have shared responsibility for implementing approximately 74 % of the Unions budget for 2016. Members welcomed that the total number of fraudulent and non-fraudulent irregularities reported in 2016 (19 080 cases) was 15 % lower than in 2015 (22 349 cases) and their value had decreased by 8 % (from EUR 3.21 billion in 2015 to EUR 2.97 billion in 2016).

Parliament deplored the fact that not all Member States have adopted national anti-fraud strategies and that there is still a gap between the Member States in the reporting process. It called for a set of measures to be taken to ensure closer, more effective and more efficient cooperation in the area of fraud detection. The Commission is urged to: (i) establish a uniform system for the collection of comparable data on irregularities and cases of fraud from the Member States; (ii) continue its efforts to help Member States to step up the level and quality of inspections.

PIF Directive and European Public Prosecutors s Office Regulation: Parliament welcomed the adoption of the Directive on the fight against fraud to the Unions financial interests by means of criminal law (the [PIF Directive](#)), which includes cross-border VAT fraud involving total damages of at least EUR 10 million.

It also welcomed the decision of 20 Member States to proceed with the establishment of the [European Public Prosecutor's Office](#) through enhanced cooperation. In this context, it called for effective cooperation among Member States, the EPPO, OLAF and Eurojust.

Revenue - Own resources: VAT yielded almost EUR 1 035.3 billion in 2015, and contributed EUR 18.3 billion to EU own resources, or 13.9 % of the EUs total revenue in the same year. The Missing Trader Intra-Community (MTIC) fraud, commonly called carousel fraud, alone was responsible for VAT revenue losses of approximately EUR 50 billion in 2015.

Members expressed concern about losses due to the VAT gap and fraud relating to EU VAT, which amounted to EUR 159.5 billion in 2015. They emphasised that the problems related to cross-border VAT fraud demand strong, coordinated and speedy measures. The Commission is urged to speed up its procedures to present its proposals for a definitive VAT system as provided for in the action plan.

Parliament called on Member States to improve their cooperation to combat tobacco smuggling into the European Union, which represents an estimated annual loss of EUR 10 billion on public revenue to the EU and Member States' budgets.

It also invited the Commission to:

- strengthen the common policy on customs checks by providing for genuine harmonisation, focusing in particular on efforts to combat trade in illicit and counterfeit products;
- recover from the United Kingdom Government a shortfall of EUR 1.987 billion, an amount that should normally have returned to the Union budget;
- set up a system to calculate the total sums recovered following OLAF's recommendations.

Expenditure: Members regretted that this is the fourth year in which the irregularities reported as fraudulent in direct management increased in number and value (EUR 0.78 million in 2015 and EUR 6.25 million in 2016). They called on the Commission to present by the end of 2018 a specific plan to reduce fraud in this area. The resolution noted the following:

- that the number of reported fraudulent and non-fraudulent irregularities concerning the European Agricultural Fund for Rural

Development (EAFRD), while decreasing from 3 250 cases in 2015 to 2 676 cases in 2016, is still twice as high as in 2012, but wished to highlight that the amounts concerned in 2016 are only 8 % higher than in 2012;

- the 8 497 fraudulent and non-fraudulent irregularities linked to cohesion policy and fisheries in 2016 represented a 22 % decrease compared to 2015, but are still 25 % higher than the average for the last five years; of almost one third of the irregularities reported as fraudulent in 2016 in cohesion policy, no information was provided on the priority area concerned;
- the level of irregularities due to non-compliance with public procurement rules remains high. The Commission is invited to develop a database of irregularities, capable of providing a basis for meaningful analysis in a comprehensive way of the frequency, seriousness and causes of public procurement errors.

In view of the problems highlighted, Parliament suggested taking the following measures:

1) Improving controls: Members called for firmer measures against fraudulent irregularities and that non-fraudulent irregularities should be eliminated using administrative measures, in particular by introducing more transparent and simpler requirements.

In particular, a system enabling the authorities to exchange information would facilitate the cross-checking of accounting records for transactions between two or more Member States in order to prevent cross-border fraud in respect of the structural and investment funds.

2) Preventative actions: Parliament called for the strengthening of the implementation of the Early Detection and Exclusion System (EDES) and Anti-Fraud Information System (AFIS) and for the completion of the national antifraud strategies.

The Commission is invited to:

- submit as a matter of urgency a horizontal legislative proposal on the protection of whistleblowers in order to effectively prevent and combat fraud affecting the financial interests of the European Union; investigative journalism should be encouraged by legal means both in the Member States and within the Union;
- commit to a much more credible and comprehensive anti-corruption strategy. Members recalled that in its [resolution of 25 October 2016](#), Parliament called for the establishment of an annual report on democracy, the rule of law and fundamental rights, including country-specific recommendations, with special focus on corruption;
- put in place, at EU level, all necessary measures to track and trace Philip Morris International tobacco products and to bring legal action in the event of any illegal seizures of this manufacturers products until all provisions of the Tobacco Products Directive are fully enforceable.

OLAF investigations: Parliament called on the Commission to ensure full implementation of OLAFs recommendations in the Member States. It deplored the fact that despite numerous OLAF recommendations and investigations, the prosecution rate is only 30 % in the Member States and the judicial authorities of some Member States do not regard OLAFs recommendations on the misspending of EU money as a priority.