












Procedure file

Basic information		
INI - Own-initiative procedure	2020/2222(INI)	Procedure completed
Evaluation of preventive measures for avoiding corruption, irregular spending and misuse of EU and national funds in case of emergency funds and crisis-related spending areas		
Subject 7.30.30.06 Action to combat economic fraud and corruption 8.70.04 Protecting financial interests of the EU against fraud		

Key players			
European Parliament	Committee responsible	Rapporteur	Appointed
	 Budgetary Control		11/03/2021
		 RIVASI Michèle	
		Shadow rapporteur	
		 NOVAKOV Andrey	
		 GARCÍA MUÑOZ Isabel	
		 STRUGARIU Ramona	
		 CZARNECKI Ryszard	
		 FLANAGAN Luke Ming	
	Committee for opinion	Rapporteur for opinion	Appointed
European Commission	 Civil Liberties, Justice and Home Affairs		24/09/2020
		 ZDECHOVSKÝ Tomáš	
European Commission	Commission DG	Commissioner	
	Financial Stability, Financial Services and Capital Markets Union	LENARČIČ Janez	

Key events			
26/11/2020	Committee referral announced in Parliament		
26/10/2021	Vote in committee		
11/11/2021	Committee report tabled for plenary	A9-0320/2021	Summary

13/12/2021	Debate in Parliament		
15/12/2021	Results of vote in Parliament		
15/12/2021	Decision by Parliament	T9-0502/2021	Summary

Technical information

Procedure reference	2020/2222(INI)
Procedure type	INI - Own-initiative procedure
Procedure subtype	Initiative
Legal basis	Rules of Procedure EP 54
Other legal basis	Rules of Procedure EP 159
Stage reached in procedure	Procedure completed
Committee dossier	CONT/9/04477

Documentation gateway

Committee draft report		PE695.295	15/07/2021	EP	
Amendments tabled in committee		PE695.296	16/09/2021	EP	
Committee opinion	LIBE	PE696.432	13/10/2021	EP	
Committee report tabled for plenary, single reading		A9-0320/2021	11/11/2021	EP	Summary
Text adopted by Parliament, single reading		T9-0502/2021	15/12/2021	EP	Summary
Commission response to text adopted in plenary		SP(2022)238	31/05/2022	EC	

Evaluation of preventive measures for avoiding corruption, irregular spending and misuse of EU and national funds in case of emergency funds and crisis-related spending areas

The Committee on Budgetary Control adopted an own-initiative report by Michèle RIVASI (Greens/EFA, FR) on the evaluation of preventive measures for avoiding corruption, irregular spending and misuse of EU and national funds in case of emergency funds and crisis-related spending areas.

The public health crisis caused by the COVID-19 pandemic, coupled with the subsequent economic emergency and social turmoil, has pushed the EU and the public authorities in Member States to provide for or to be involved in the management of extra funding and substantially and swiftly increase spending.

Measures to address the risks of corruption and misuse of EU funds

The report highlighted that the pressure to provide relief and the urge to use the resources in the shortest time possible could result in increased risk of corruption, fraud and other irregularities, and that such a situation requires efficient preventive measures and control management processes. Therefore, all procurement procedures should meet the highest standards of openness, transparency and accountability.

The Commission and the Member States are invited to include in their respective national anti-corruption strategies targeted measures dedicated to spending public money in times of crisis. In this respect, Members stressed that the rules on the protection of the Union's financial interests should also apply in the case of emergency support and emergency support instruments such as REACT-EU and the Recovery and Resilience Facility (RRF). They reaffirmed the essential role of the Parliament in monitoring the recovery programme and the obligation for the Commission to inform it regularly on its implementation.

Members consider that emergency measures must respect the rule of law and the principles of proportionality and necessity, must be time-limited and regularly scrutinised for their impact. They stressed that conflicts of interest affecting legislators and state officials should be avoided and that Member States should put in place robust anti-corruption frameworks.

The report stressed the importance of ex-ante controls on the traceability of funds, the crucial role of civil society organisations and investigative journalists in exposing corruption, and the need to provide safeguards for civil society's critical monitoring role.

The Commission is asked to closely monitor potential risks to the EU's financial interests and not to make any payments if criteria related to measures to prevent, detect and correct corruption and fraud are not met. Members called for absorption not to be given priority over considerations of performance, value for money and European added value of programmes. Member States are called on to integrate corruption risk assessments throughout programme design and delivery phases, in the areas of economic stimuli and subsidies.

Identifying beneficiaries of EU funds

The report stressed that it is vital to know who is benefiting from EU funds in order to prevent corruption, irregular spending and the misuse of funds. Regretting that data for the identification of economic operators and their beneficial owners is either not easily or not at all accessible, Members called for the establishment of a single, interoperable database displaying the direct and ultimate beneficiaries of EU subsidies. Beneficiaries should be identifiable in all Member States and across all funds, including those under direct and shared management.

Furthermore, Members consider that the relevant information on all public contracts (using public funds) should be made available to the public, published on a dedicated website and with the minimum of redaction, in full compliance with data protection and other legal requirements.

The Commission is invited to:

- propose a revision of the Financial Regulation to include a strong legal basis for imposing the use of standardised and open data in public procurement, and to make IT budget control systems mandatory, public and interoperable with national databases;
- evaluate, with a view to defining good practices for future crises, the effectiveness of the joint procurement agreement and the rescEU stockpiling of medical equipment;
- establish a robust and transparent framework for EU procurement, where funds from the EU budget are fully or partially mobilised, that would allow for comprehensive scrutiny by Parliament, especially concerning major economic, security or health crisis-related spending areas;
- assess not only the existence but also the effectiveness of the National Anti-Fraud Strategies (NAFS) in its forthcoming report on the rule of law.

The report stressed the need for collaboration between the European Public Prosecutor's Office and other EU bodies such as Eurojust, Europol and OLAF when conducting investigations and prosecutions under their respective mandates.

Evaluation of preventive measures for avoiding corruption, irregular spending and misuse of EU and national funds in case of emergency funds and crisis-related spending areas

The European Parliament adopted by 553 votes to 29, with 115 abstentions, a resolution on the evaluation of preventive measures for avoiding corruption, irregular spending and misuse of EU and national funds in case of emergency funds and crisis-related spending areas.

The Recovery and Resilience Facility, with an envelope of more than EUR 670 billion, and REACT-EU, with an envelope of more than EUR 50 billion, are powerful tools to help EU countries recover.

NextGenerationEU is a temporary recovery instrument of some EUR 800 billion in current prices set up to support the EU's recovery from the COVID-19 pandemic.

The public health crisis caused by the pandemic, combined with the resulting economic emergency, risks encouraging fraud and corruption as well as non-fraudulent irregularities, particularly in public procurement, economic recovery measures and public organisations.

Measures to address the risks of corruption and misuse of EU funds

Parliament highlighted that the pressure to provide relief and the urge to use the resources in the shortest time possible could result in increased risk of corruption, fraud and other irregularities, and that such a situation requires efficient preventive measures and control management processes. Therefore, all procurement procedures should meet the highest standards of openness, transparency and accountability.

The Commission and the Member States are invited to include in their respective national anti-corruption strategies targeted measures dedicated to spending public money in times of crisis. In this respect, Members stressed that the rules on the protection of the Union's financial interests should also apply in the case of emergency support and emergency support instruments such as REACT-EU and the Recovery and Resilience Facility (RRF). They reaffirmed the essential role of the Parliament in monitoring the recovery programme and the obligation for the Commission to inform it regularly on its implementation.

Parliament considered that emergency measures must respect the rule of law and the principles of proportionality and necessity, must be time-limited and regularly scrutinised for their impact. Concerned that the implementation of transparency, control and anti-corruption reforms has met with resistance in some Member States, it stressed that conflicts of interest affecting legislators and state officials must be avoided and that Member States must put in place robust anti-corruption frameworks.

The resolution stressed the importance of ex-ante controls on the traceability of funds, the crucial role of civil society organisations and investigative journalists in exposing corruption, and the need to provide safeguards for civil society's critical monitoring role.

The Commission is asked to closely monitor potential risks to the EU's financial interests and not to make any payments if criteria related to measures to prevent, detect and correct corruption and fraud are not met. Members called for absorption not to be given priority over considerations of performance, value for money and European added value of programmes. Member States are called on to integrate corruption risk assessments throughout programme design and delivery phases, in the areas of economic stimuli and subsidies.

Identifying beneficiaries of EU funds

Parliament stressed that beneficiaries must be identifiable in all Member States and across all funds, including those under direct and shared management. It called for the establishment of a single, interoperable database listing the direct final beneficiaries of EU grants. It also called for the use of instruments such as the Early Detection and Exclusion System (EDES), the Arachne database and the Irregularity Management System (IMS), to effectively identify problematic economic operators and individuals linked to them in direct and indirect management.

Furthermore, Members consider that the relevant information on all public contracts (using public funds) should be made available to the public , published on a dedicated website and with the minimum of redaction, in full compliance with data protection and other legal requirements.

The Commission is invited to:

- propose a revision of the Financial Regulation to include a strong legal basis for imposing the use of standardised and open data in public procurement, and to make IT budget control systems mandatory, public and interoperable with national databases;
- evaluate, with a view to defining good practices for future crises, the effectiveness of the joint procurement agreement and the rescEU stockpiling of medical equipment;
- promote the harmonisation of definitions of corruption offences at EU level in order to have comparative data from across the EU on the handling of corruption cases.

The resolution stressed the need for collaboration between the European Public Prosecutor's Office and other EU bodies such as Eurojust, Europol and OLAF when conducting investigations and prosecutions under their respective mandates. It also called for more effective international cooperation on the taking of evidence, mutual recognition, service of documents, confiscation of the proceeds of crime and freezing of assets.

Parliament believes that a centralised information and monitoring system should include requirements for public procurement, with EU-wide, country-by-country, publicly accessible data obliging contractors and contracting authorities to report systematically on project-specific data, progress towards intermediate objectives and direct and final beneficiaries, to ensure effective controls and audits.

Transparency

NOVAKOV Andrey	Shadow rapporteur	CONT	29/11/2021	OLAF
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