

# Procedure file

| Basic information   |                |                     |
|---|----------------|---------------------|
| INI - Own-initiative procedure  | 2021/2234(INI) | Procedure completed |
| Protection of the European Union's financial interests - combating fraud - annual report 2020 |                |                     |
| Subject<br>8.70.04 Protecting financial interests of the EU against fraud                     |                |                     |

| Key players         |   |   |            |
|---------------------|---|---|------------|
| European Parliament | Committee responsible                                       | Rapporteur  | Appointed  |
|                     | <b>CONT</b> <a href="#">Budgetary Control</a>               |  <a href="#">CSEH Katalin</a><br>Shadow rapporteur<br> <a href="#">SARVAMAA Petri</a><br> <a href="#">CHINNICI Caterina</a><br> <a href="#">PEKSA Mikuláš</a><br> <a href="#">ADINOLFI Matteo</a><br> <a href="#">CZARNECKI Ryszard</a><br> <a href="#">FLANAGAN Luke Ming</a> | 30/11/2021 |
|                     | Committee for opinion                                       | Rapporteur for opinion  | Appointed  |
|                     | <b>EMPL</b> <a href="#">Employment and Social Affairs</a>   | The committee decided not to give an opinion.   |            |
| European Commission | Commission DG<br><a href="#">Taxation and Customs Union</a> | Commissioner<br>GENTILONI Paolo   |            |

| Key events |  |   |  |
|------------|--|---|--|
| 16/12/2021 | Committee referral announced in Parliament |   |  |
| 11/05/2022 | Vote in committee                          |   |  |
| 09/06/2022 | Committee report tabled for plenary        | <a href="#">A9-0175/2022</a>  |  |
| 06/07/2022 | Debate in Parliament                       |  |  |

|            |                               |   |         |
|------------|-------------------------------|---|---------|
| 07/07/2022 | Results of vote in Parliament |  |         |
| 07/07/2022 | Decision by Parliament        | <a href="#">T9-0300/2022</a>  | Summary |

### Technical information

|                            |                                |
|----------------------------|--------------------------------|
| Procedure reference        | 2021/2234(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/9/07782                   |

### Documentation gateway

|   |                              |            |    |         |
|---|------------------------------|------------|----|---------|
| Committee draft report                              | <a href="#">PE704.701</a>    | 16/03/2022 | EP |         |
| Amendments tabled in committee                      | <a href="#">PE731.505</a>    | 08/04/2022 | EP |         |
| Committee report tabled for plenary, single reading | <a href="#">A9-0175/2022</a> | 09/06/2022 | EP |         |
| Text adopted by Parliament, single reading          | <a href="#">T9-0300/2022</a> | 07/07/2022 | EP | Summary |
| Commission response to text adopted in plenary      | <a href="#">SP(2022)505</a>  | 20/10/2022 | EC |         |

## Protection of the European Union's financial interests - combating fraud - annual report 2020

The European Parliament adopted by 437 votes to 94, with 39 abstentions, a resolution on the protection of the European Union's financial interests - combating fraud - annual report 2020.

The annual report on the protection of the European Union's financial interests and the fight against fraud in 2020 (PIF report) highlights the risks associated with the COVID-19 pandemic, both in terms of revenue and expenditure. Indeed, COVID-19 is likely to offer new opportunities to fraudsters, due to the increased risks related to crisis management and the introduction of simplified and emergency procedures in the context of the pandemic. Members called on all Member States to continue to subject emergency expenditure to a high level of control and monitoring.

Parliament also recalled that under the new Multiannual Financial Framework (MFF) 2021-2027, combined with the NextGenerationEU recovery plan, the EU is allocated an unprecedented EUR 1.8 trillion in financial resources. An unprecedented level of attention and control is needed to ensure that these funds can best contribute to the Union's common goals.

### Fraudulent and non-fraudulent irregularities detected

The total number of fraudulent and non-fraudulent irregularities reported in 2020 was 11 755 in total, with a value of approximately and involved a value of approximately EUR 1.46 billion. The number of fraudulent irregularities detected varies considerably from one Member State to another. Parliament expressed concern about the diversity of approaches to criminal law adopted by Member States to protect the EU budget. It urged the Commission to address these inconsistencies in Member States' practices and to consider introducing further harmonisation measures.

Fraud is increasingly attractive to organised crime. Members regretted that many Member States do not have specific legislation to effectively combat organised crime, including mafia-type crime. They stressed the need for a comprehensive and effective anti-corruption framework in Member States to combat offences committed by state officials.

### Revenue - own resources fraud

In 2020, 451 irregularities were reported as revenue fraud, 9% less than the average number of cases reported per year for the period 2016-2020. Footwear, textiles, vehicles and machinery and electrical equipment were the types of goods most affected by fraud and irregularities. Most cases involved undervaluation, incorrect classification or misdescription of goods or smuggling.

According to the 2021 Value Added Tax (VAT) gap report, the VAT gap dropped in 2019 to EUR 134 billion in nominal terms (a decrease of almost EUR 6.6 billion compared to 2018).

Parliament called on Member States to assess the risks and shortcomings of their respective national customs control strategies and asked the Commission to help Member States ensure that uniform controls are implemented across the EU. Over the last five years, the annual recovery rate has varied between 52% and 71%. The recovery rate for cases reported in 2020 is currently around 71%.

## Expenditure fraud

605 expenditure irregularities were reported as fraudulent in 2020, with a related financial value of EUR 266 million.

During the period 2016-2020, detection of fraud in the context of the common agricultural policy (CAP) was concentrated in a small number of Member States. The majority of fraudulent irregularities concerning support to agriculture involved the use of false documents or false requests for aid, and that their number remained largely stable. Parliament expressed concern that reporting of rural development fraud for the 2014-2020 period has been slow to start, which may indicate that detection efforts in EU Member States are insufficient.

Between 2016 and 2020, the number of reported irregularities concerning the Cohesion Fund, the European Regional Development Fund, the European Social Fund and the Fisheries Fund for the 2014-2020 programming period increased. However, Members pointed out that for all funds, as far as non-fraudulent irregularities are concerned, this increase has been limited, highlighting an exceptional decrease in the number of irregularities detected compared to the previous programming period.

## External dimension of the protection of the Union's financial interests

Members believe that the EU institutions and bodies should put more emphasis on funds spent in third countries in order to verify that these funds are spent according to the rules and without fraud or corruption. They recommended the suspension of budget support in third countries where the authorities are clearly not taking effective measures to fight widespread corruption. They called for monitoring of corruption risks associated with large-scale construction and investment projects undertaken by authoritarian third countries in Member States.

## Digitalisation to protect the EU's financial interests

Parliament called for an increased degree of digitalisation, interoperability of comparable data systems and harmonisation of reporting, monitoring and auditing in the EU. It called on the Commission to explore the possibility of using AI to protect the EU's financial interests. Members believe that the use of the ARACHNE risk scoring tool in the 2021-2027 MFF and the NextGenerationEU recovery plan, in particular with regard to the implementation of the Recovery and Resilience Facility (RRF), should be made mandatory as soon as possible. The Commission is invited to extend the scope of EDES to funds under shared management in the context of its proposal for revision of the Financial Regulation.

## OLAF and the European Public Prosecutor's Office

Members are concerned about the decline in the indictment rate from 53% in the period 2007-2014 to 37% in the period 2016-2020 in cases referred to Member States by OLAF. They called on Member State authorities to cooperate closely with OLAF and to open criminal cases whenever necessary to ensure the recovery of misused EU funds.

Parliament welcomed the fact that the European Public Prosecutor's Office had opened 576 investigations since its establishment and had requested the seizure of a total of EUR 154.3 million, of which EUR 147 million had been granted. It is concerned about the European Public Prosecutor's estimate that the total damage caused by fraud and corruption amounts to EUR 5.4 billion. It urged Member States not participating in the European Public Prosecutor's Office to sign cooperation agreements with it.

## Rule of law and fight against corruption

Parliament believes that it is high time for the Commission to fulfil its role as guardian of the treaties and to fight against the ongoing violations of the rule of law in several Member States, in particular Poland and Hungary, as these violations represent a serious danger to the financial interests of the Union.

Members recalled that respect for the rule of law is a precondition for access to funds, that the rule of law conditionality mechanism is fully applicable to the RRF and that no measures contrary to the values of the Union as enshrined in Article 2 of the EU Treaty should be financed under the RRF. They insisted that no payments should be made to Poland under the RRF until Poland has fully implemented all relevant judgments of the CJEU and the European Court of Human Rights, and until its national authorities have recognised the primacy of Union law.