



Report on protection of EU's financial interests

In 2011, Member States reported fraudulent irregularities against the EU budget with a financial impact of €404 million. A number of legislative initiatives are currently under way to strengthen the fight against fraud and other illegal activities affecting the EU's financial interests. This is in part due to the Lisbon Treaty, which reinforced the EU's legal options in this field.

Legal basis and context

The EU and its Member States (MS) must fight illegal activities against the EU's financial interests ([Articles 310\(6\) and 325 TFEU](#)). Each year, the European Commission (EC) has to submit a report on developments in this area to Parliament and Council. The need for cooperation is evident, since MS collect EU resources on behalf of the Union and implement around 80% of EU expenditure through "shared management" with the EC.

Current legislation does not clearly define the notion of the "EU's financial interests", which is central to anti-fraud provisions. The Court of Justice of the EU has [rejected](#) an interpretation which limits it to the EU budget. Following recurrent recommendations by the [European Court of Auditors \(ECA\)](#), in 2012 the EC put forward a definition in a [proposal](#) to harmonise and strengthen MS' criminal law as regards offences against the EU's financial interests. The ECA [welcomed](#) the proposal, recommending some modifications.

European Commission 2011 report

Last year, the EC submitted the [2011 report](#), which recounts 1 230 fraudulent irregularities against the EU budget. Their estimated impact was €404 million, down from €643 million in 2010. Irregularities reported as [non-fraudulent](#) had an additional impact of almost €1.5 billion. According to the EC, recovery of resources unduly paid by the EU improved in 2011, but procedures still need further improvement.

With regard to traditional [own resources](#) of the EU, fraud figures differ significantly from one MS to another. For expenditure, cohesion policy is the sector with the highest financial

impact (69%) and most cases (54%), followed by agriculture (26-27% for both). The EC considers that the quality of MS' reporting has improved over time. But it notes that very low fraud rates reported by some countries raise questions. In a [resolution](#) on the 2010 report, Parliament had called for the issue of missing and inaccurate data to be addressed, stressing that this made it impossible to assess the true scale of fraud in MS.

In addition to statistics, the report presents the measures taken by the [EU](#) and [MS](#) in 2011 to strengthen the fight against illegal activities.

Areas for action

In a [2011 Communication](#), the EC deemed the protection of the EU's financial interests to vary significantly across the Union and identified three areas for action, planning several legislative initiatives, including:

- *Substantive criminal law.* The [proposal](#) put forward by the EC in 2012 is currently before the [EP](#) and [Council](#).
- *Institutional framework.* In July, the EP will vote at [second reading](#) on the [proposal to reform](#) the European Anti-fraud Office (OLAF). The EC is soon expected to present proposals for the creation of a [European Public Prosecutor's Office](#) and the reform of [Eurojust](#), the EU's judicial cooperation unit.
- *Criminal and administrative procedures.* The EC should table a Directive for the harmonisation of procedural criminal law [this year](#).

The Treaty of Lisbon enabled many of these developments by reinforcing the legal bases for the EU to protect its financial interests ([Articles 82, 83, 85, 86, 310 and 325 TFEU](#)).

European Parliament

In its key political role of controlling the implementation of the EU budget, the [EP](#) has repeatedly called for the fight against fraud and other illegal activities to be stepped up. In June 2013, the Budgetary Control Committee adopted its [report](#) (rapporteur Derek Vaughan, S&D, United Kingdom) on the EC's 2011 report. The plenary is to vote on this in July.