European Parliament resolution of 7 July 2021 on the protection of the EU’s financial interests – combating fraud – annual report 2019 (2020/2246(INI))

The European Parliament,

– having regard to Articles 310(6) and 325(5) of the Treaty on the Functioning of the European Union (TFEU),

– having regard to its resolutions on previous annual reports of the Commission and of the European Anti-Fraud Office (OLAF),


– having regard to OLAF’s 2019 report and activity report of its Supervisory Committee,

– having regard to the annual report of the European Court of Auditors on the implementation of the EU budget for the 2019 financial year, together with the institutions’ replies¹,


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883/2013, as regards cooperation with the European Public Prosecutor’s Office and the effectiveness of the European Anti-Fraud Office investigations\(^1\),

– having regard to the judgment of the General Court (First Chamber) of 26 June 2019 in Case T-617/17, *Vialto Consulting Kft. v Commission*\(^2\),

– having regard to the judgment of the General Court (Sixth Chamber) of 6 June 2019 in Case T-399/17, *Dalli v Commission*\(^3\) and the judgment of the Court (First Chamber) of 25 February 2021 in Case C-615/19 P, *Dalli v Commission*,

– having regard to the judgment of the General Court of 13 May 2020 in Case T-290/18, *Agmin Italy SpA v Commission*\(^4\),


– having regard to the European Court of Auditors’ Special Report No 01/2019 of 10 January 2019 entitled ‘Fighting fraud in EU spending: action needed’,


– having regard to the European Court of Auditors’ overview of 9 October 2018 entitled ‘2017 EU audit in brief: introducing the 2017 annual reports of the European Court of Auditors’,


– having regard to Council Regulation (EU) 2017/1939 of 12 October 2017 implementing enhanced cooperation on the establishment of the European Public Prosecutor’s Office\(^7\),

– having regard to Decision (EU) 2019/1798 of the European Parliament and of the Council of 23 October 2019 appointing the European Chief Prosecutor of the European Public Prosecutor’s Office\(^8\),

\(^1\) OJ L 437, 28.12.2020, p. 49.


\(^3\) OJ C 255, 29.7.2019, p. 31.

\(^4\) OJ C 215, 29.6.2020, p. 29.


having regard to the Commission communication of 14 December 2020 on the review of the European Union under the Implementation Review Mechanism of the United Nation Conventions against Corruption (UNCAC) (COM(2020)0793),

having regard to its resolution of 14 February 2017 on the role of whistleblowers in the protection of EU’s financial interests¹,

having regard to Council Decision (EU, Euratom) 2020/2053 of 14 December 2020 on the system of own resources of the European Union and repealing Decision 2014/335/EU, Euratom²,

having regard to Regulation (EU, Euratom) 2020/2092 of the European Parliament and of the Council of 16 December 2020 on a general regime of conditionality for the protection of the Union budget³,

having regard to the Commission communication of 29 April 2019 entitled ‘Commission Anti-Fraud Strategy: enhanced action to protect the EU budget’ (COM(2019)0196),

having regard to the continuing implementation of the Hercule III programme,

having regard to Regulation (EU) 2021/785 of the European Parliament and of the Council of 29 April 2021 establishing the Union Anti-Fraud Programme and repealing Regulation (EU) No 250/2014⁴,

having regard to the Commission communication of 14 April 2021 on the EU Strategy to tackle Organised Crime 2021-2025 (COM(2021)0170),

having regard to Rule 54 of its Rules of Procedure,

having regard to the report of the Committee on Budgetary Control (A9-0209/2021),

A. whereas de jure, the Member States and the Commission have a shared responsibility and must work closely together to protect the Union’s financial interests and fight fraud and corruption; whereas de facto, the Member States’ authorities managed approximately 74 % of EU expenditure and collected the Union’s traditional own resources (TOR) with regard to the EU budget for 2019;

B. whereas while it should fulfil its respective responsibilities under shared management for supervision, control and auditing, the Commission is only capable of monitoring approximately 10 % of all expenditure;

C. whereas Article 310(6) TFEU states that ‘the Union and the Member States, in accordance with Article 325, shall counter fraud and any other illegal activities affecting the financial interests of the Union’; whereas Article 325(2) TFEU states that ‘Member States shall take the same measures to counter fraud affecting the financial interests of the Union as they take to counter fraud affecting their own financial interests’; whereas

¹ OJ C 252, 18.7.2018, p. 56.
⁴ OJ L 172, 17.5.2021, p. 110.
Article 325(3) TFEU states that ‘the Member States shall coordinate their action aimed at protecting the financial interests of the Union against fraud’ and, to that end, ‘shall organise, together with the Commission, close and regular cooperation between competent authorities’; whereas under Article 325(4) TFEU, the European Court of Auditors must be consulted on any measures to be adopted by the legislator in the fields of the prevention of and fight against fraud affecting the EU’s financial interests;

D. whereas according to Article 83 TFEU, corruption is a particularly serious crime with a cross-border dimension;

E. whereas the diversity of legal and administrative systems in the Member States needs to be adequately addressed in order to create more unified administrative and reporting systems in the EU and to effectively prevent irregularities and combat fraud and corruption with more tangible and satisfactory results;

F. whereas VAT is an important revenue source for national budgets and whereas VAT-based own resources constituted 11.97 % of total EU budget revenue in 2019;

G. whereas systematic, institutionalised and high-level cases of corruption and deliberate attempts to weaken checks and balances and the independence of the institutions responsible for monitoring and controlling finances in certain Member States seriously harm the Union’s financial interests, while posing a threat to democracy, fundamental rights and the rule of law; recalls the detrimental impact of corruption for the trust of EU citizens in the institutions;

H. whereas according to the European Court of Auditors, the Commission’s insights into the scale, nature and causes of fraud are insufficient and not all potential fraud is reported in the irregularity management system;

I. whereas corruption affects all Member States to varying degrees, and is not only a burden on the EU economy, but also undermines democracy and the rule of law right across Europe;

**General**

1. Welcomes the Commission’s 31st annual report on the protection of the EU’s financial interests and the fight against fraud (PIF Report), which underlines the achievements of 2019 with regard to the consolidation of the institutional framework on the fight against fraud and irregularities at EU level, namely the transposition into national law by 18 Member States of the measures provided for in the PIF Directive by the end of the year, with four more Member States having done so by June 2020; calls on all remaining Member States to take all the necessary measures and ensure the full and correct transposition of the directive in the shortest possible time; calls on the Commission to closely monitor the transposition process in all Member States and to make use of its prerogatives for launching infringement procedures where Member States fail to comply with the transposition process;

2. Regrets the fact that the Commission had to send reasoned opinions to Ireland and Romania on 3 December 2020 for failing to transpose the PIF Directive into national law; notes that Romania transposed the PIF Directive into national law on 15 December 2020;
3. Emphasises that respect for the rule of law is a precondition for sound financial management, including the efficient and effective allocation and management of EU funds and the fight against corruption and mismanagement; strongly welcomes, in that regard, the adoption of Regulation (EU, Euratom) 2020/2092 on a general regime of conditionality for the protection of the Union budget;

4. Welcomes the fact that the Commission has immediately started its work on a clear methodology and analysis of potential cases; acknowledges that the Commission has clearly stated on several occasions that it will fulfil its role as guardian of the Treaties and apply Regulation (EU, Euratom) 2020/2092 from the date it entered into force without undue delay, so that no case is lost during the necessary preparation work in the first half of 2021; recalls that Regulation (EU, Euratom) 2020/2092 applies to all commitments and payments from 1 January 2021, while providing safeguards for final beneficiaries and recipients;

**Detected fraudulent and non-fraudulent irregularities**

5. Notes that the total number of fraudulent and non-fraudulent irregularities reported in 2019 amounted to 11,726 cases overall (2% fewer cases than in 2018), and involved a value of approximately EUR 1.6 billion – a 34% decrease on 2018; notes, in this respect, that the data on the number of cases and the corresponding value for each year is continuously assessed and updated and should be considered within a long-term perspective;

6. Notes that the number of detected irregularities reported as fraudulent is an indication of the extent of detection and of the capacity of the Member States and EU bodies to intercept potential fraud, but not a direct indicator of the level of fraud affecting the EU budget or a specific Member State; notes that it is unclear how many fraudulent irregularities go unreported every year, making it very difficult to evaluate the effectiveness of anti-fraud activities; recalls that in 2019, the European Court of Auditors published two special reports in which it highlighted the Commission’s shortcomings with regard to its insights into the scale, nature and causes of fraud and identified weaknesses in the Commission’s strategic approach towards managing fraud risks, calling on it to take more proactive measures to address these issues; calls on the Commission, therefore, to develop a methodology to improve reliability and provide for more accurate estimations of the scale of fraud in the EU; notes that the detection and reporting of an irregularity implies that corrective measures have been taken to protect the Union’s financial interests and that, whenever relevant, criminal proceedings have been launched;

7. Notes that the number of fraudulent irregularities reported in 2019 (939 cases – 8% of all irregularities) and their related financial amounts (approximately EUR 461.4 million – 28% of all financial amounts affected by irregularities) decreased significantly compared to 2018; notes that in 2019, the number of fraudulent irregularities reported was 40% less than in 2015 and 25% lower than the five-year average for 2015-2019; notes that in 2019, 514 expenditure-related irregularities reported as fraudulent represented 0.3% of 2019 payments, while 425 revenue-related irregularities reported as fraudulent corresponded to 0.3% of the gross amount of TOR collected for 2019;

8. Takes into consideration the fact that the number of non-fraudulent irregularities registered in 2019 (10,787 cases) remained stable in comparison to 2018, while the
financial amounts involved decreased by 8% to approximately EUR 1.2 billion; notes that in 2019, 6,550 expenditure-related irregularities reported as non-fraudulent represented 0.5% of 2019 payments, while 4,237 revenue-related irregularities reported as non-fraudulent corresponded to 1.5% of the gross amount of TOR collected for 2019;

9. Emphasises that the change in the number of fraudulent or non-fraudulent irregularities detected represents a momentary snapshot that should be seen within the context of other significant factors; stresses that reported falls in the total number of cases of both fraudulent and non-fraudulent irregularities can either indicate a positive development—an overall decrease in fraudulent activity, or a negative development—a reduction in the level of detection of fraudulent activity;

10. Highlights that in the particular case of fraudulent irregularities, detections were concentrated within a few Member States, which suggests different approaches to the use of criminal law to protect the EU budget; underlines and regrets the fact that many Member States do not have specific laws to combat mafia-type organised crime, whose involvement in cross-border activities and sectors affecting the EU’s financial interests is constantly growing; calls on the Commission to address these differences between the Member States and to consider new harmonising measures;

11. Recalls that deficiencies in the validity and comparability of data and reporting technologies, with varying degrees of digitalisation in the Member States, continue to severely hamper the quality and reliability of the information available to the Commission in the irregularity management system and OWNRES system; regrets the fact that the detection of the misuse, fraud and embezzlement of EU funds is mostly limited to incidental discoveries by the Commission and the Court of Auditors during their sample-based audits or to investigations by OLAF; is concerned by the Court of Auditors’ repeated findings that the work of some national authorities is considered too error-prone and therefore unreliable; emphasises that these deficiencies have an impact on the quality of data reported by the Member States to the Commission on the number of fraudulent and non-fraudulent irregularities detected; notes that three Member States did not report any fraudulent irregularities in 2019; is particularly concerned by the lack of adequate staffing and qualifications of certain national authorities and the lack of internal audits;

12. Underlines the increased risks that the COVID-19 crisis has brought to the implementation of the EU budget; notes with concern that more than half of the fraudulent irregularities were reported by two Member States and that some Member States regularly do not report a single case of fraud; calls on the Commission to pay particular attention to these cases by carrying out monitoring and taking action to ensure the full protection of the EU budget, and to run random, on-the-spot checks, especially in exceptional circumstances of crises; shares the Commission’s view that countering fraud and irregularities is of the utmost importance in a period of crisis;

13. Urges the Member States and the Commission to cooperate more closely with regard to exchanging information, improving data collection and enhancing the effectiveness of controls; calls on Member States, in this regard, to publish data on the final

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1. Cyprus, Luxembourg and Malta.
2. PIF Report, Chapter 10.2, p. 31.
beneficiaries in a uniform, machine-readable format and to ensure interoperability with the Commission’s monitoring tools; strongly urges the Commission to conduct a thorough analysis of the underlying reasons and potential structural problems causing the persisting systemic weaknesses in the reliability of the work of some national authorities and to pay particular attention to any potential differences between countries’ systems; calls on the Commission to address clear country-specific recommendations to the national authorities; asks the Commission to establish a structured dialogue with the national authorities and the Court of Auditors to continuously work on capacity-building and exchanges of best practices to improve the reliability of national authorities’ work, and to keep Parliament informed about the progress made; calls on the Commission to offer further support to improve cooperation under the Eurofisc network;

14. Reiterates, in this regard, its call on the Commission to establish a uniform system for the collection of comparable data on irregularities and cases of fraud from the Member States in order to standardise the reporting process and ensure the quality and comparability of the data provided;

Revenue – own resources fraud

15. Notes that 425 irregularities were reported as revenue-related fraud in 2019 – 21 % lower than the five-year average of 541 irregularities per year for 2015-2019; notes, moreover, that the affected amount of TOR estimated and established (EUR 80 million) in 2019 was 19 % lower than the five-year average of EUR 98 million; notes that inspection by anti-fraud services was the most successful method of detecting fraudulent cases;

16. Notes that 4 237 irregularities were detected and reported as non-fraudulent for 2019 – 6 % lower than the five-year average, and that the affected amount of TOR estimated and established was EUR 397 million in 2019, which is 3 % lower than the five-year average; notes, moreover, that non-fraudulent irregularities were primarily detected through post-release controls;

17. Stresses the seriousness of the current situation concerning fraud involving the failure to pay VAT, in particular so-called carousel fraud; calls on all Member States to participate in all of Eurofisc’s fields of activity to facilitate the exchange of information to help combat fraud;

18. Notes from the 2020 Final Report on the VAT Gap that the EU VAT gap dropped to EUR 140 billion in 2018 and could fall below EUR 130 billion in 2019; is concerned, however, that the VAT gap may reach EUR 164 billion in 2020 and asks the Commission for a thorough explanation as to whether this increase was in any way related to the COVID-19 pandemic;

19. Is deeply concerned by the extensive impact of VAT fraud on the EU budget as well as national budgets; deems it very important to step up the fight against the biggest kind of VAT fraud – missing trader intra-community (MTIC) fraud, which comes at an estimated annual cost of EUR 40-60 billion; calls on the Commission to assess the strengths and weaknesses of different potential solutions to tackle MTIC fraud, notably the introduction of a real-time, digital transaction-based reporting system developed by
researchers (TX++), or a combination of the definitive VAT system with digital and real-time, transaction-based reporting;

20. Notes that 16 revenue-related anti-fraud measures were reported by the Member States in 2019: eight in the area of customs fraud, five on tax fraud, and three on a mixture of the two; notes that the Commission began an evaluation process in 2019 to determine how useful Council Regulation (EC) No 515/97\(^1\) has been in preventing customs fraud;

21. Notes that between 2017 and 2019, the Commission carried out on-the-spot inspections on the control strategy in the field of customs value in all Member States and found that the Union’s financial interests were not effectively protected, leading to significant losses to the EU budget of TOR; notes that OLAF has issued investigative reports with recommendations for six Member States which have not fully implemented the necessary measures to consistently tackle undervaluation fraud; calls on the Commission to report back to Parliament on the Member States that could provide a good example of best practices to follow and those where significant challenges remain;

22. Notes that just as in 2017 and 2018, solar panels were the goods most affected by fraud and irregularities in monetary terms in 2019; calls on the Commission to recognise the systemic nature of such fraud and strongly urges the Council and the Member States to take robust action in this regard;

23. Notes that there are serious doubts about the accuracy of the TOR (custom duties) amounts transferred to the EU budget by the United Kingdom as a consequence of investigations carried out by OLAF on undervaluation fraud concerning textiles and shoes imported via the UK from China, as well as those conducted by the Commission within the framework of own resources management; strongly criticises the fact that the UK still refuses to make available to the EU budget the missing TOR amounts from 2011-2017 (EUR 2,679 billion gross); welcomes the Commission’s referral to the Court of Justice in March 2019 of an infringement case against the UK concerning the TOR losses due to undervalued imports; asks the Commission to report on any developments in this regard;

24. Is deeply concerned by the non-quantifiable reservation maintained for 2019 by the Commission’s Directorate-General for Budget (DG BUDG), which stated that the undervaluation fraud partly moved to other Member States with certain ramifications on the collection of TOR pending final quantification; notes that the Commission has carried out inspections on undervaluation in all Member States and checked how Member States are organised to address issues of undervaluation, with particular regard to textiles and shoes from China; notes that the undervaluation of goods imported to the EU is and will remain a threat to revenue and poses a significant challenge that will have to be dealt with in the years to come; notes that the Commission will follow up with and hold Member States financially responsible for any potential losses incurred; is concerned that according to provisional calculations, TOR losses in 2019 accounted for 1 % of total TOR for the year; asks the Commission to promptly inform Parliament

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\(^1\) Council Regulation (EC) No 515/97 of 13 March 1997 on mutual assistance between the administrative authorities of the Member States and cooperation between the latter and the Commission to ensure the correct application of the law on customs and agricultural matters (OJ L 82, 22.3.1997, p. 1).
about the findings and consequences of its inspections and quantification calculations, once these have been finalised;

25. Reiterates that a combination of different detection methods (release controls, post-release controls and inspections by anti-fraud services and others) is the most efficient way of detecting fraud and that the efficiency of each method depends on the Member State concerned, the efficiency of its administrative coordination, and the ability of the relevant Member State services to communicate with one another; calls on the Commission to inform the Council on the Member States that could provide a good example of best practices to follow and those where significant challenges for improvement remain;

26. Notes that over the past five years, the annual TOR recovery rate has varied between 52 % and 66 %, and that the recovery rate for cases reported in 2019 currently stands at approximately 57 %; notes that differences in the Member States’ recovery results may arise from factors such as the type of fraud or irregularity or the type of debtor involved; notes that as of March 2020, the overall recovery rate for all years between 1989 and 2019 was 61 %; reiterates its call on the Commission to report every year on the amount of EU own resources recovered, following the recommendations made by OLAF, and to inform the discharge authority of the amounts still to be recovered;

Expenditure fraud

27. Notes that there were 514 expenditure irregularities reported as fraudulent in 2019 totalling EUR 381,4 million (0,3 % of 2019 payments);

28. Notes that there were 6 550 expenditure irregularities reported as non-fraudulent in 2019, representing 0,5 % of 2019 payments;

29. Notes that with regard to the common agricultural policy (CAP), the detections of irregularities were concentrated in a few Member States, above all for fraudulent irregularities, which suggests that different approaches to the use of criminal law to protect the EU budget or reporting practices on suspected fraud could be significant factors behind the differences between the Member States; notes that while the overall financial amounts were relatively stable in 2019, there was an increase in those relating to direct support and a decrease in those relating to rural development; notes, in particular, that in the area of direct support, most detections indicated the use of falsified documents or requests for aid, while in rural development many detections related to implementation; is worried that the creation of artificial conditions for receiving financial support is a common type of fraud in direct support, indicating a modus operandi in fraudulent irregularities that touches upon ethics and integrity; notes that there was a significant fall in fraudulent irregularities in rural development due to the decline in detections related to the 2007-2013 programming period, in line with the programming lifecycle, and a slow start of detections related to the 2014-2020 programming period, and that more fraudulent and non-fraudulent irregularities were still detected in rural development than in direct support; points out, however, that market measures recorded the highest fraud detection rate (FDR) at 0,87 %, more than four times that of rural development with regard to fraudulent irregularities, and that non-fraudulent irregularities represented nearly double the irregularities detection rate (IDR) of that of rural development; notes, moreover, that according to the Court of
Auditors’ 2017 annual reports¹, the manner in which expenditure is disbursed has an impact on the risk of error and, in particular, errors were mainly confined to cost reimbursements, whereas the error rate for entitlement payments was below the materiality threshold of 2 %;

30. Reiterates its call for the introduction of maximum amounts for the payments that one natural person can receive from the first and second pillar of the CAP and for cohesion funds; is of the opinion that maximum amounts defined per natural person are much harder to circumvent; recalls that beneficiaries can artificially split up their companies or create additional companies that can all receive the maximum amount of funding in order to circumvent a cap defined by legal person; welcomes the intentions of the proposal for the CAP to count all companies belonging to the same group as one beneficiary; deems these endeavours insufficient, however, as opaque and highly complex company structures, which often involve entities in several Member States and/or third countries, make it very difficult to ensure that all companies belonging to the same group are identified as such and are actually treated as one beneficiary, and create other opportunities to circumvent these restrictions; calls on the Commission to include proposals for caps per natural person for CAP and cohesions funds in its proposal for the revision of the Financial Regulation²;

31. Repeats its concern that CAP subsidies continue to incentivise land-grabbing by criminal and oligarchic structures; reiterates its urgent call on the Commission to establish a complaints mechanism for farmers and SMEs faced with land-grabbing, severe misconduct by national authorities, irregular or biased treatment in tenders or distribution of subsidies, pressure or intimidation from criminal structures, organised crime or oligarchic structures, or another severe infringement of their fundamental rights to lodge a complaint directly with the Commission; welcomes the fact that such a complaints mechanism has been proposed for the new CAP regulation;

32. Notes the complexity of the analysis on cohesion policy data and the different phases of the 2007-2013 programming period; notes that the financial amounts reported were significantly lower than the exceptional year of 2018, but on average are trending upward for the cohesion funds; underlines the importance of cooperation with the judicial authorities and stresses the need to pay closer attention to the unexpected downturn of financial amounts of both fraudulent and non-fraudulent irregularities, and, excluding ‘exceptional’ cases, for the 2014-2020 programming period of the financial amounts involved in fraudulent irregularities for all funds in 2019, with particular regard to the European Regional Development Fund; stresses the urgent need for the Commission, OLAF and the EPPO to fully investigate whether the different reporting patterns in the Member States in terms of their tendency to detect fraudulent irregularities involving large financial amounts are somehow related to possible conflicts of interest with stakeholders in the Member States or even criminal activity;

33. Is very concerned by media reports about EU-co-financed infrastructure investments which were repurposed after the minimum required period of three or five years; regrets the allegations of fraud and personal enrichment from this repurposing; regrets the fact that the Commission has not been able to provide additional information to dispel the

¹ European Court of Auditors, 2017 EU audit in brief: introducing the 2017 annual reports of the European Court of Auditors, p. 11.
remaining doubts; welcomes the Commission’s intention to follow up properly on these allegations and calls on the Commission to report its findings to Parliament; further calls on the Commission to analyse which Member States have severe problems with the repurposing of EU-co-financed infrastructure projects;

34. Considers the legal minimum durability requirement of three to five years too short given the significant amounts of co-financing and the longevity of such projects; regrets the fact that the co-legislators did not decide to introduce longer durability requirements during the revision of the Common Provisions Regulation1; notes that there are significant differences between Member States’ national rules on the durability of infrastructure investments and premature repurposing;

35. Calls on the Commission to conduct a thorough analysis on the different national rules on the durability of appropriation requirements of co-financed investments and premature repurposing, both for infrastructure and equipment, with a particular focus on whether national rules go beyond the minimum EU requirements; calls on the Commission to report its findings to Parliament;

36. Reiterates the transparency requirements for the CAP and cohesion policy, which oblige the responsible authorities of the Member States to maintain a publicly available list of final beneficiaries; strongly calls on the Member States to publish such data in a uniform, machine-readable format and ensure interoperability of the information; demands that the Commission collect and aggregate the data and publish lists of the largest beneficiaries from each fund in each Member State;

37. Notes that among the fraudulent irregularities detected in 2019, actions related to health infrastructure were affected by breaches of public procurement rules, with the most common issues detected relating to supporting documents: 15 Member States reported irregularities in actions related to health infrastructure and seven of these also detected fraud; notes that the non-reporting of irregularities in this area by other Member States is not an indication that they were not affected by such risks and calls on the Commission, OLAF and the EPPO to ensure that fraudulent activities, especially those related to fighting the COVID-19 pandemic, do not remain unresolved;

38. Is concerned about continued reports by the Court of Auditors and the Commission about persisting weaknesses in public procurement in several Member States; calls on the Commission to conduct a thorough analysis of the Member States with noticeable weaknesses about the underlying reasons for these and to specify precisely to what extent they are due to formal errors or systemic fraud and corruption; is of the opinion that minor formal errors need to be treated differently and that the Commission should focus more on the more severe issues, such as intentional manipulations of the tender criteria to favour the application of certain or single bidders, corruption relating to bidder selection, conflicts of interest and other fraudulent misuse;

39. Points out that complete transparency in accounting for expenditure is essential, especially as regards infrastructure works financed directly through EU funds or financial instruments; calls on the Commission to provide for EU citizens to have full access to information on co-financed projects;

40. Stresses the need for complete transparency in accounting for the transfers and loans provided for under the Recovery and Resilience Facility and calls on the Commission to provide for Parliament to have full access to information;

41. Invites the Commission to step up its fraud prevention and detection work to ensure that EU money continues to reach the intended beneficiaries and brings effective and measurable benefits to citizens’ lives;

**Digitalisation as a means to protect the EU’s financial interests**

42. Emphasises that a greater degree of digitalisation, interoperability and harmonisation of reporting, monitoring and auditing in the EU is overdue and indispensable given the cross-border nature of misuse, fraud, misappropriations, conflicts of interest, double funding and other systemic problems; is concerned, moreover, about the controls on the financial instruments managed by intermediaries and the demonstrated weaknesses in the checks on the registered offices of beneficiaries; reiterates the need to make the disbursement of direct and indirect funds conditional on the disclosure of data on effective ownership by the beneficiaries and by financial intermediaries;

43. Regrets the fact that under the current rules, the lack of information about the ownership structures and beneficial owners of companies and groups of companies is significantly contributing to the opaqueness of how funds are currently distributed and hindering a more efficient detection of irregularities; emphasises, once again, the crucial importance of comprehensive, reliable and comparable data for the efficient, effective and timely control of EU spending and the protection of European taxpayers’ money;

44. Reiterates its urgent call on the Commission to propose a legal basis in the Financial Regulation for the creation of an interoperable digital reporting and monitoring system to allow timely, uniform and standardised reporting by the Member States’ authorities in the area of shared management; encourages the mandatory use of existing data-mining and risk-scoring tools, such as Arachne, as one element of the planned reporting and monitoring system; underlines that such an interoperable reporting and monitoring system would allow not only for an earlier and more efficient detection of misuse, fraud, misappropriations, conflicts of interest, double funding and other systemic problems, but also a comprehensive overview of how EU funds are actually being distributed and of potentially unintended concentrations in the hands of a few oligarchic or even criminal ultimate beneficiaries;

45. Recalls that this system should not lead to the national authorities becoming too overladen with bureaucracy or create data congestion; calls on the Commission to determine which indicators and data are truly relevant, necessary and proportionate for auditing and control purposes and achieving the intended programming goals, and to reduce the number of indicators and milestones that need to be entered into the system;

46. Notes that the early detection and exclusion system (EDES) established by Article 135 of the Financial Regulation should ensure effective sanctions on unreliable persons or entities by excluding them from the award and procurement procedures funded under the EU budget and imposing financial penalties; regrets the fact that the database lists only very few economic operators – six as of May 2021; calls on the Commission to review the criteria with a view to reducing complexity and making EDES more applicable in practice;
47. Asks the Commission to consider extending EDES to apply to funds under shared management, with respect for the principles of proportionality and appropriateness, in its proposal for the revision of the Financial Regulation; urges the Member States and the Commission to ensure greater interoperability of existing European and national databases and data-mining tools; acknowledges that the European Data Protection Supervisor sees no general data protection issues with establishing such interoperability, as long as there is a clear legal basis for doing so;

48. Welcomes the current rules on e-procurement, which stipulate that tender opportunities must be published in Tenders Electronic Daily (TED), procurement documents must be accessible electronically with hyperlinks included in the TED notices, economic operators must submit tenders electronically, and contracting authorities must accept electronic invoices;

49. Observes that public procurement is undergoing a digital transformation; welcomes the process of rethinking public procurement with digital technologies in mind; is of the opinion that this reform should go beyond simply moving to electronic tools and should include various pre-award and post-award phases; insists that these reforms should also allow for data-based approaches to be integrated at various stages of the procurement process; calls on the Commission to pay particular attention to framework agreements awarded through public procurement procedures, as the related fraud and corruption pose an increased risk to the Union’s financial interests;

50. Observes that the increasing digitalisation of public services and enhanced transparency rules mean that more information on EU public finances is available in electronic formats; notes, furthermore, that the computing capacity and software currently available allow for a large amount of complex data to be processed in a relatively short period of time, which creates new potential for the detection of fraud using specialised data analytics techniques such as big data, data mining and AI technologies on open data; believes that the abundance of open data represents an opportunity to support the creation of reliable ‘reputation systems’, which can help prevent criminal activities; asks the Commission to carry out a systemic analysis to investigate how the new technologies are being used in the field of fraud detection and prevention, to assess their limitations, and to devise proposals on how to improve their use;

**The new Commission Anti-Fraud Strategy**

51. Welcomes the adoption of the new Commission Anti-Fraud Strategy on 29 April 2019; welcomes the zero tolerance policy towards fraud; welcomes the re-introduction of the Commission’s corporate oversight of fraud issues by giving OLAF a stronger advisory and supervisory role; recalls that the strategy envisages a binding action plan for the Commission services and executive agencies only, despite the fact that most responsibilities lie with the Member States; calls for a unified approach which should also include the Member States;

52. Calls on the Commission to consider revising its new Anti-Fraud Strategy to fully reflect the operationalisation of the EPPO and its role in fighting fraud;

53. Stresses the importance of prioritising the development and establishment of national anti-fraud strategies (NAFSs) by all Member States, including in the light of the new challenges posed by the COVID-19 crisis and the recovery and resilience plans; is very
concerned that according to the follow-up for 2018, only 10 Member States reported adopting or updating an NAFS and communicated it to OLAF, while 17 Member States have still not adopted one\(^1\), with only four of them considering adopting or preparing a new strategy\(^2\); calls on the Member States that have not yet adopted an NAFS to do so without further undue delay; calls on the Commission to assess the NAFSs that have been adopted, to examine why Member States are lagging behind in adopting them, and to push the remaining Member States to progress with adoption;

**The European Anti-Fraud Office (OLAF)**

54. Welcomes the opening of negotiations in 2019 on the revision of the OLAF Regulation with regard to cooperation with the EPPO and the effectiveness of OLAF investigations; welcomes the entry into force of the revised Regulation (EU, Euratom) 2020/2223 in January 2021, which significantly strengthens OLAF’s role and paves the way for smooth collaboration with the EPPO; notes that the new rules include a clear definition of the complementary roles of the two offices, clear rules on how cases are reported, and improves how OLAF can conduct its own investigations; acknowledges that the new legal framework makes OLAF more effective by streamlining the rules for on-the-spot checks and inspections, allowing OLAF to access bank account information via the national competent authorities, reinforcing the rules governing the work of the anti-fraud coordination services in the Member States, and providing better guarantees for those concerned by OLAF investigations through the creation of a controller;

55. Considers that the reinforced powers for OLAF, the launch of the EPPO and the coordination of work across the EU’s entire anti-fraud architecture for identifying, investigating and prosecuting fraudsters constitutes a major step forward in protecting the EU’s financial interests; welcomes, in this regard, the conclusion of working arrangements between the EPPO, Eurojust and Europol, which establish the rules of cooperation and how the EU bodies will work together in the fight against crimes affecting the financial interests of the European Union;

56. Reiterates its assessment on the importance of OLAF’s investigations and its role in coordinating efforts to protect the EU’s financial interests and combat fraud;

57. Recalls that OLAF was created not only for internal investigations but also for supporting Member States in external investigations; stresses that following the creation of the EPPO, OLAF will remain the sole office responsible for protecting the EU’s financial interests in Member States that opted not to join the EPPO; recalls that while the subsidiarity principle prevents OLAF from launching investigations where Member States are in a better position to act, this does not exclude OLAF from conducting analyses of recurring cases, trends and patterns and on how its ability to detect these phenomena has led to enhanced cooperation and successful actions;

58. Strongly believes that OLAF needs to be reinforced with budgetary means and personnel in order to be fully capable of carrying out its duties on prevention and investigation, not least in the Member States not participating in the EPPO; underlines the importance of ensuring that OLAF remains a strong and fully functioning partner to

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\(^1\) Belgium, Denmark, Germany, Estonia, Ireland, Spain, Croatia, Cyprus, Luxembourg, Lithuania, the Netherlands, Poland, Portugal, Romania, Slovenia, Finland and Sweden.

\(^2\) Belgium, Spain, the Netherlands and Romania.
the EPPO; stresses that the future cooperation between OLAF and the EPPO should be based on close cooperation, the efficient exchange of information and complementarity, while avoiding duplications or conflicted competences;

59. Reiterates the fact that OLAF’s remit is to help devise and develop methods to prevent and combat fraud, corruption and any other illegal activity affecting the financial interests of the Union; recalls that one of the key elements of OLAF’s mandate is to promote and coordinate, with and among the Member States, the sharing of operational experience and best procedural practices on the protection of the Union’s financial interests; regrets the fact, therefore, that no assessment of OLAF’s investigative results on expenditure is explicitly given in the PIF Report; invites OLAF to provide tangible guidance and advice to the Member States and the Commission, building on the analysis of its investigative experience;

60. Notes the administrative arrangement for the exchange of information and cooperation between OLAF and the European Court of Auditors signed in 2019 and welcomes more structured cooperation between the Court of Auditors and OLAF;

61. Welcomes the agreement between OLAF and the co-legislators, in close cooperation with the Commission services, towards including standard provisions on the protection of the Union’s financial interests in all legislation on post-2020 spending programmes, harmonised by area;

*The European Public Prosecutor’s Office (EPPO)*

62. Welcomes the appointment of Laura Codruţa Kövesi as European Chief Prosecutor in 2019 and the launch of EPPO operations on 1 June 2021; regrets the fact that the date on which the EPPO was due to become operational had to be postponed several times owing to a lack of financial and human resources and severe delays in the appointment of European and delegated prosecutors in a few Member States; asks the Commission to increase the financial and staffing resources of the EPPO to enable it to tackle the challenges that will arise from the spending of the exceptionally large recovery fund;

63. Notes that the appointment procedure for the delegated European prosecutors was launched in 2019 and completed in 2020, with 22 European prosecutors taking their oath before the Court of Justice on 28 September 2020; regrets the lack of nominations of European delegated prosecutors in particular by Slovenia, which cancelled its appointment process, as well as the considerable delays in many other Member States; notes that Chief Prosecutor Kövesi is deeply concerned about Slovenia’s ‘manifest lack of sincere cooperation’ following delays in the recruitment of its delegated prosecutors; urges the Commission to strictly monitor the Member States that have not yet nominated their European delegated prosecutors or have not adapted their national legislation for the operationalisation of the EPPO, where necessary, by suspending their funding on the basis of Article 63(2) and (8) of the Financial Regulation and the sector-specific rules, and/or by launching infringement proceedings; notes, moreover, that by the end of 2019, 18 Member States had notified the Commission that they had incorporated the PIF Directive into national law; calls on the Commission to do its utmost to incentivise all Member States to join the EPPO and urges the five Member States that have not yet joined to do so without undue delay;
64. Recalls that pursuant to Council Implementing Decision (EU) 2018/1696, the selection panel for the appointment of the European prosecutors evaluates the candidates and provides the Council with a ranking which it must take into consideration but which, according to the Implementing Decision, is not binding; recalls that in the case of the candidates nominated by Belgium, Bulgaria and Portugal, the Council did not follow the selection panel’s order of preference; recalls that on 27 July 2020, Austria, Estonia, Luxembourg and the Netherlands published a statement affirming that ‘a competition between rankings of national selection panels and the ranking of the European selection panel must be avoided, at the risk of eroding the European component of the appointment procedure’.

65. Highlights with great concern Malta’s failure to nominate three suitable candidates for the College of European Prosecutors, thereby delaying completion of the college; expresses particular concern, moreover, at media reports that the Portuguese Government provided the Council with wrongful information about the title and experience of the candidate who was ranked second by the European selection panel and eventually appointed as the Portuguese European prosecutor; expresses further concern at the fact that one of the unsuccessful Belgian candidates filed a complaint about the selection procedure before the Court of Justice; regrets the fact that these issues overshadowed the formation of the College of European Prosecutors and calls on the Member States involved to provide Parliament with all the necessary information and documentation to fully assess the rightfulness of the selection process;

66. Recalls that the European and delegated prosecutors must be independent and that any suspicion of an intervention by a national government in favour of a candidate against the recommendation by the European selection panel would have severe and negative repercussions on the reputation, integrity and independence of the EPPO as an institution;

The fight against corruption

67. Welcomes the adoption of Directive (EU) 2019/1937 (the Whistleblower Directive), while noting that the deadline for transposition is 17 December 2021; calls on the Commission to closely monitor and assist the Member States, ensuring the complete, correct and timely transposition of the directive, and to start assessing the implementation by the Member States as soon as the deadline has passed;

68. Highlights the importance of independent media and investigative journalists and reiterates the need to protect them; calls on the Commission to provide for serious legal protections akin to those provided for whistleblowers, and to develop comprehensive measures for the protection and financing of independent investigative journalism, including a rapid response mechanism for journalists in distress and effective legislation to combat strategic lawsuits against public participation (SLAPPs);

69. Stresses the importance of the progress made on the Commission’s legislative and policy initiatives to prevent and fight corruption, as well as the regular monitoring and evaluation of the Member States’ legal frameworks via the newly established Rule of Law Report; recalls however, while reiterating its regret that the Commission no longer deems it necessary to publish a specific anti-corruption report, that the newly established Rule of Law Report is highly descriptive; calls on the Commission to
augment these reports by issuing recommendations on situations where deficiencies have been identified;

70. Is very concerned by the findings of the 2020 Rule of Law Report, which highlights concerns about the effectiveness of the investigation, prosecution and adjudication of corruption cases, including high-level corruption cases in several Member States, such as Bulgaria, Croatia, Czechia, Hungary, Malta and Slovakia; insists that high-level corruption must be systematically pursued with consistent and resolute action to launch criminal investigations and prosecute corruption cases involving high-level officials or their immediate circle when serious allegations arise;

71. Stresses that the institutions entrusted with the enforcement of criminal law must work effectively and impartially and should be equipped with adequate funding, human resources, technical capacity and specialised expertise in order to be able to carry out their tasks;

72. Highlights that the connection between corruption and fraud in the EU may have a negative impact on the EU budget; calls on the Commission to consider establishing a network of corruption prevention authorities in the European Union;

73. Welcomes the Union’s role as an observer to the Group of States against Corruption (GRECO), while reiterating its recommendation that the EU should become a member; fully supports the Stockholm Declaration of December 2019, which calls on European decision-makers to strengthen the fight against corruption;

74. Notes that the appropriate legal basis for the EU to become a full member of GRECO is Article 83 TFEU in conjunction with Article 218 TFEU; notes that full EU membership of GRECO would require an invitation from the Council of Europe’s Committee of Ministers and the conclusion of an agreement between the Council of Europe and the EU on the arrangements for membership; notes that the applicable decision-making procedure is laid down in Article 218 TFEU for the conclusion of international agreements whereby the Council, acting on a recommendation from the Commission, would need to authorise the Commission to negotiate the arrangements for membership in GRECO with the Council of Europe and request Parliament’s consent, whereupon the Council may adopt a final decision to conclude the agreement;

75. Notes that in the case of full EU membership in GRECO the EU institutions may be monitored and evaluated by the group of states; underlines that the GRECO evaluation system should take into account the specific nature of the EU as a Union based on the principle of conferred competences, its institutions, and the particular features of EU law; emphasises that the EU’s rights and obligations in GRECO and the practical arrangements for its membership as a distinct legal entity, alongside all of its Member States, should be clarified in advance in the agreement on the arrangements for membership;

76. Notes that eight measures of a legislative, organisational and administrative nature were reported by the Member States in 2019 in the area of enhancing transparency, fighting corruption and preventing conflicts of interest in public procurement;

77. Reiterates its call on the Commission to set up an internal corruption evaluation mechanism for the EU institutions;
78. Is concerned about the Czech Chief Prosecutor General citing permanent pressure by the justice minister as reasons for his recent resignation; asks the Commission to look into vulnerabilities of the Czech judicial system and to carefully examine whether any other cases involving members of the Czech Government have been withdrawn or prematurely closed potentially following pressure or unjustified interference; calls on the Commission to also conduct such an analysis for all the other Member States and to keep Parliament informed about its findings and conclusions;

**Recommendations**

79. Reiterates its call on the Commission to establish a digital and interoperable uniform system for the collection of comparable data on irregularities and cases of fraud from the Member States in order to standardise the reporting process and ensure the quality and comparability of the data provided; underlines the importance of harmonising definitions to obtain comparative data across the EU;

80. Calls on the Commission to ensure the full transparency and quality of data reported by Member States in the irregularity management system; urges the Member States to report complete data in a timely manner; calls on the Commission and the Member States to link the irregularity management system with EDES and Arachne and to provide access to it for all Member States and the Commission;

81. Considers it necessary for the Member States to cooperate more closely with regard to exchanges of information in order to improve data collection and enhance the effectiveness of controls;

82. Emphasises that EDES, as the EU’s blacklist, has huge potential for flagging people and companies that misuse EU funds; notes, in addition, the judgment of the General Court of 13 May 2020 in Case T-290/18 (Agmin Italy SpA v Commission), wherein the Court of Justice confirmed the validity of the respective roles of the panel and the authorising officers and found that the adversarial procedure led by the panel had fully respected the right of the entity concerned to be heard; invites the Commission to include the extension of EDES to funds under shared management in its proposal for the revision of the Financial Regulation; asks the Commission to equip this system with the necessary financial and staffing resources to enable it to operate on a full-time basis;

83. Deplores the fact that there are more than 290 monitoring and reporting systems for the CAP and cohesion funds, which makes it impossible to verify the final beneficiaries of those funds and prevent and investigate fraud and corruption effectively; calls on the Commission and the Member States to establish a harmonised or unified reporting system with timely and accurate data in order to remedy this situation;

84. Recalls the need for a more incisive and effective response and coordination at both EU and national level in the fight against corruption and organised crime, including mafia-style crime, with a particular focus on transnational and cross-border aspects, in order to tackle fraudsters’ constant ability to adapt to new technologies and scenarios; stresses that this could be achieved by using AI tools, data-mining and other relevant digitalised tools, while respecting the protection of personal data;

85. Emphasises the particular importance of EU and national anti-fraud institutions and bodies in the context of increased EU resources through the Recovery and Resilience
Facility; recalls the importance of supporting and strengthening cooperation among the EU institutions, the EPPO, OLAF, EU agencies – notably Europol and Eurojust – and national authorities in order to detect and tackle fraud and corruption more effectively, while ensuring that roles do not overlap and promoting the exchange of information; recalls the need to ensure greater, more suitable resources for the EPPO, OLAF and the relevant EU agencies in future budgets; reiterates its request for the EPPO to be able to use the financial resources in the 2021 budget for additional staff recruitment, not least given the increased workload from the adoption of the EU’s new long-term budget, Next Generation EU and other cost-driven projects;

86. Highlights the importance of structured information exchange among the competent authorities for cross-checking accounting records relating to transactions between two or more Member States in order to prevent cross-border fraud arising from the structural and investment funds; reiterates its request to the Commission to include in its work programme a legislative proposal for a horizontal regulation on mutual administrative assistance in the area of EU expenditure; emphasises that this information exchange should be in a digital format and conducted through interoperable or shared IT systems and tools to facilitate more timely and efficient cooperation;

87. Regrets the fact that only 13 Member States used Arachne when carrying out their risk analyses; reiterates the importance of this tool and the interoperability of IT systems and databases for the purposes of risk analysis and detection of fraud; reiterates its call on the Commission and the Member States in the Council in particular to move towards Parliament’s position of making the use of Arachne mandatory; calls on the Member States to ensure that the system is supplied with timely and reliable data; is of the opinion that the Commission, the Court of Auditors, the EPPO and OLAF need to have access to this data;

88. Notes that 16 Member States have strengthened risk analysis to detect fraud and irregularities through the use of IT tools; calls on the Commission to facilitate exchanges of good practices between these countries and Member States with no experience;

89. Notes with concern that no information is provided in the PIF Report on the analysis of cases of conflicts of interest, despite the relevance of the new provision adopted in the Financial Regulation in 2018 and the acknowledged importance and impact of this phenomenon; calls on the Commission to fill this gap in its next PIF Report and to devote more attention to fraud relating to public procurement;

90. Highlights that in order to combat corruption effectively and protect the EU’s financial interests, the Commission should adopt a holistic, coherent and systematic approach by developing better rules on transparency, incompatibilities and conflicts of interest, internal control mechanisms, illegitimate lobbying and revolving doors scenarios, which can be detrimental to relations between the institutions and interest representatives;

91. Invites the Commission to explore new avenues for the PIF Report to be shared and analysed alongside other sources of information and annual reports such as the Rule of Law Report, including through enhanced dialogue between Europol, Eurojust and the EPPO in order to help identify trends in fraudulent and non-fraudulent irregularities, detect weaknesses and provide useful lessons learnt to improve the adoption of fraud-proofing measures by all stakeholders;
92. Welcomes the events organised by OLAF in 2019 dedicated specifically to supporting non-EU countries; strongly encourages the Commission, OLAF and all the other EU institutions and bodies entrusted with the protection of the Union’s financial interests to actively engage and collaborate with partner authorities in candidate, potential candidate and Eastern Partnership countries, by promoting measures to effectively address possible cases of fraud; calls on the Commission to develop specific and regular mechanisms to effectively prevent and combat fraud with EU funds in these states;

93. Regrets the fact that Parliament repeatedly has to address several recommendations without receiving any clear response from the Commission; notes with regret that on some observations and recommendations, the Commission has not taken any tangible action or measures; asks the Commission to provide Parliament with a clear explanation whenever it decides not to follow one of its recommendations;

94. Instructs its President to forward this resolution to the Council and the Commission.