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

2020/2222(INI) - 11/11/2021 - Committee report tabled for plenary, single reading

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.