The impact of organised crime on own resources of the EU and on the misuse of EU funds with a particular focus on shared management

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The Committee on Budgetary Control adopted an own-initiative report by Tomáš ZDECHOVSKÝ (EPP, CZ) on the impact of organised crime on own resources of the EU and on the misuse of EU funds with a particular focus on shared management from an auditing and control perspective.

The fight against corruption and the infiltration of the legal economy by organised crime is essential to ensure equal treatment before the law, to protect the rights and welfare of citizens, to prevent abuses and to ensure the accountability of public office holders. Common and coordinated action by the Union and its Member States is needed.

EU funds impacted by organised crime

The report noted that revenue fraud, and in particular customs fraud, is an area where organised crime is particularly damaging. This type of fraud is often committed by using false import declarations on the origin of goods in order to circumvent the Union's anti-dumping duties. While welcoming OLAF's investigative work, which has reduced the EU's estimated budgetary losses of over EUR 1 billion in 2017 to EUR 180 million in 2020, Members believe that efforts to combat undervaluation fraud must continue, as fraud schemes are evolving into new patterns, particularly in the area of e-commerce.

Value added tax (VAT) fraud is also an important part of revenue fraud. The most common forms of VAT fraud are missing trader intra-Community (MTIC) fraud, e-commerce fraud and customs fraud. Among the sectors most at risk of VAT fraud is the fuel sector. Members deplored the systemic weaknesses of the current intra-Community VAT system and the lack of information exchange between Member States.

Subsidy fraud - most often committed by organised gangs, including mafia-style organisations - is rife in many areas of EU spending, such as agricultural policy, cohesion policy, research and development policy and environmental policy. Members reiterated their concern that the current CAP subsidy scheme encourages land grabbing by criminal and oligarchical structures, stressing that it was essential to identify these structures to protect real farmers.

Members urged the Commission and Member States to work together to create a **centralised and interoperable database**, populated with standardised and quality data, listing direct and final beneficiaries of EU subsidies to detect fraudsters, criminal networks and oligarchical structures, and to prevent them from misusing EU funds.

Noting with concern that the Commission and OLAF see **fraud in public tenders and contracts** as a major trend among fraudsters, Members regretted that in many Member States there is no specific legislation against organised crime. They called on the relevant national and EU authorities to improve the interoperability of their systems, facilitating the exchange of information and strengthening cooperation and joint operations to combat transnational organised crime.

Estimating the financial impact of organised crime

The report noted with concern that on several occasions it has been found extremely difficult, if not impossible, to estimate the extent and severity of the impact of organised crime on the EU budget. The 2019 PIF report identified 514 fraudulent irregularities on the expenditure side amounting to EUR 381.4 million and 425 on the revenue side totalling EUR 79.7 million. Member regretted that, according to Europol estimates, between EUR 40 and 60 billion is lost to criminal organisations each year through one particular form of VAT fraud. The majority of VAT losses are borne by the Member States, as only 0.3% of the VAT collected is transferred to the EU budget.

Conclusions

Members called on the Commission to develop a **common approach** to assessing the impact of organised crime on EU funds and to consider making more coherent use of all the tools available to them to detect and tackle fraud, including the **Arachne IT platform and the Early Detection and Exclusion System (EDES)**, including by supporting training for national authorities to equip them with sufficient knowledge to use these tools more effectively.

Member States are called upon to fulfil their legal obligation to recover funds and to cooperate closely with EU bodies to ensure that funds misused by organised crime are effectively recovered.

Members believe that fraud prevention and the fight against fraud by criminal organisations should be a priority for managing, certifying and auditing authorities, and be the subject of specialised financial investigations. They consider that the rules and measures for **freezing and confiscating assets** to combat criminal organisations must also be strengthened, with the possibility of temporary seizure equal to the proceeds of crime to prevent the transfer of the proceeds of crime before the conclusion of criminal proceedings. Investigations must be more effective in order to dismantle the structures of organised crime.