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 European Parliament adopted by 655 votes to 8, with 34 abstentions, a resolution 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.

Members recalled that, according to the European Court of Auditors, fraud prevention has not received enough attention and the Commission lacks comprehensive information on the scale, nature and causes of fraud. An increasing number of criminal organisations are operating in the Union and are particularly active in attempting to intercept EU funds in the various Member States.

Estimating the financial impact of organised crime

Members noted that the 2019 annual report on the protection of the EU's financial interests 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**. In addition, recent studies show that the infiltration of organised crime in EU public procurement affects between 2.7% and 3.6% of total expenditure. 2.6 billion of EU cohesion funds may have been misappropriated in the period 2014-2020.

Europol estimates that between EUR 40 and 60 billion is lost to criminal organisations each year through one particular form of VAT fraud, namely Missing Trader Intra-Community Fraud (MTIC). Member States bear the brunt of the VAT losses, with only 0.3% of the VAT collected going to the EU budget.

Given the difficulty, if not impossibility, of estimating the scale and seriousness of the impact of organised crime on the EU budget, Parliament called on the Commission to coordinate with Member States' authorities to carry out a **comprehensive EU-wide assessment of the true extent of fraud**, involving the relevant EU agencies and cooperating with partners in the EU's neighbouring countries.

EU funds impacted by organised crime

Parliament 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. The undervaluation schemes investigated by OLAF in recent years mainly concern goods imported from China. 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.

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.

Parliament 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.

Conclusions

Parliament called for a comprehensive, effective and timely exchange of information and reiterated the importance of harmonising definitions in order to obtain comparable data between EU bodies and Member States so as to be able to assess the impact of organised crime activities on EU finances and to take prompt action to combat it.

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.

Parliament regretted that the indictment rate following recommendations by OLAF to Member States is low. It called on OLAF and the Commission to investigate the underlying reasons and on the Member States to fulfil their legal obligation to **recover the funds** and to cooperate closely with the Union's 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.