

# MFF 2021-2027: fight against oligarch structures, protection of EU funds from fraud and conflict of interest

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The Committee on Budgetary Control adopted the own-initiative report by Petri SARVAMAA (EPP, FI) on MFF 2021-2027: fight against oligarch structures, protection of EU funds from fraud and conflict of interest.

As a reminder, the budgetary authorities adopted the MFF 2021-2027 package, which together with the NextGenerationEU recovery instrument amounts to an unprecedented EUR 1.8 trillion in total of funding to support the recovery from the COVID-19 pandemic and the EU's long-term priorities across different policy areas.

The implementation of these funds must respect rigorously the principles of sound financial management. However, the *de facto* capacity of the EU institutions to control EU funds is unfortunately rather **limited** without the effective and meaningful cooperation of the national authorities.

## *Oligarch structures*

Members are concerned that oligarchic systems are often connected to widespread corruption, tight control over media and a judicial system which is not independent from the oligarchs themselves. In order to protect themselves, oligarchic groups seek to gain control over the media and the judiciary so as to avoid media exposure of possible criminal activities and prosecution.

The report stressed that **strong and effective anti-corruption policies** and bodies, as well as control systems and an independent judiciary, ensuring the effective functioning of the rule of law, promoting competition, enhancing transparency and assuring the functional implementation of public procurement rules and free access to markets are fundamental to prevent oligarchs from seizing control of the economy and financial markets.

The EU is called on to promote transparency in the spending of EU and national funds by carrying out more efficient **data collection** and by strengthening the rules related to it, especially as regards final beneficiaries and beneficial owners.

## *Fraud and conflict of interest in the current legal framework*

The report deplored the fact that conflict of interest cases affecting high-profile politicians continue to persist in some Member States and it encouraged the Commission to further strengthen the conflict of interest provisions under Article 61 of the Financial Regulation as part of its upcoming revision.

## *Main challenges in cohesion and agriculture*

Members emphasised that in relation to cohesion policy, the most frequently detected types of fraudulent irregularities among projects financed using European Structural and Investment Funds during the programming period 2014-2020 were overpricing, incorrect, missing and false or falsified supporting

documents, infringement of contract provisions, single bidder public procurement processes, ineligibility and infringement of public procurement rules, and breaches in relation to ethics and integrity including conflicts of interest and corruption.

The report noted that there are established common practices that signal the potential misuse of common agricultural policy (CAP) funds, such as the falsification of documents and of the creation of artificial conditions, for example the splitting agricultural holdings to avoid the EU agricultural payment cap and the submission of requests for aid through several linked companies or following the incomplete implementation of actions.

In addition, the Commission and the Member States are urged to immediately step-up measures against **land grabbing**, irregular tenders or other allocation procedures and misuse of EU money, especially when national governments and authorities are involved.

The report took note with great concern of reports on the **structural misuse of the European Agricultural Fund for Rural Development** (EAFRD) budget line to build private villas for political decision-makers disguised as guesthouses, which has occurred in several Member States.

### *Shared management*

While deeply regretting that the current situation whereby one person can receive unlimited amounts from funds under shared management incentivises the creation of oligarch structures, nepotism and corruption in some Member States, the report called on the Commission to include in its proposal for the revision of the Financial Regulation an amendment to Article 63(8), adding that the Commission must ensure that payments accruing from the Union budget to a single beneficiary or beneficial owner in a given financial year do not exceed the limits provided for in the applicable sector-specific rules and, in any event, do not exceed an aggregated annual total per natural person.

### *Available remedies and prevention in the current state of play*

While appreciating OLAF's long-term intensive investigative activity, Members regretted that the indictment rate following recommendations by OLAF to Member States decreased from 53 % in the 2007-2014 period to 37 % in the 2016-2020 period.

The Member States' authorities are called on to do their utmost to improve the indictment rate and to cooperate closely with EU institutions and bodies to ensure that funds misused by organised crime and oligarchs are recovered. The Council is asked to approve increased funding for the human resources of OLAF, the European Public Prosecutor's Office and Europol so that they can carry out their tasks.

Members deplored the fact that since 1 January 2021, the Commission has been unable to take any appropriate action to apply the **Conditionality Regulation**, which entered into force on that day. They repeated Parliament's position that the Conditionality Regulation must be applied without exception as of 1 January 2021. Members also noted that under the regulation establishing the Recovery and Resilience Facility (RRF), Member States must ensure the effective prevention, detection and correction of conflicts of interest, corruption and fraud, as well as transparency in the disbursement of funds.

Lastly, Members reiterated that sound financial management of EU-funds is of the utmost importance but regretted the fact that databases on beneficiaries of EU funds do not contain information on the ultimate beneficiaries and their beneficial owners. They also regretted the fact that it is not possible for control authorities to identify the ultimate recipients of funding or to establish whether NGOs have been used to disguise financing of terrorist and extremist organisations.