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

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The European Parliament adopted by 409 votes to 61, with 42 abstentions, a resolution on the Multiannual Financial Framework (MFF) 2021-2027: fight against oligarch structures, protection of EU funds from fraud and conflict of interest.

The MFF 2021-2027 package, which together with the NextGenerationEU recovery instrument represents an unprecedented total funding of EUR 1800 billion to support the recovery from the COVID-19 pandemic and the Union's long-term priorities in different policy areas.

The **protection of the EU's financial interests** is a key element of the EU policy agenda to strengthen transparency, democratic accountability and the ability to respond to citizens' needs, increase public trust and ensure that taxpayers' money is spent properly.

The implementation of the budgetary package of the 2021-2027 MFF should be in line with the general principles enshrined in the Treaties, in particular the European values listed in Article 2 of the Treaty on European Union as well as in the Conditionality Regulation and the principle of sound financial management.

Oligarchic structures

The resolution pointed out that members of national governments and other political office-holders in some Member States are part of the oligarchy, and that they have actively sought to **use EU funds to further their own financial interests**.

Members noted with extreme concern that politically connected oligarch networks can capture national media markets and **interfere with the workings of democratic public spheres**. They are also 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.

Parliament 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.

Fraud and conflicts of interest in the current legal framework

Parliament encouraged the Commission to strengthen the provisions on conflicts of interest laid down in Article 61 of the Financial Regulation in its forthcoming revision, in particular as regards the preparation of the budget, in order to allow for a more precise identification of the categories of public officials who are in a position to influence the financial flows of the EU budget and to prevent such conflicts from arising.

Members therefore called for improved capacity and **effective management and control systems in EU bodies and Member States**, which are essential to monitor and investigate cases of conflict of interest and to ensure and safeguard the legality and regularity of spending EU funds.

Main challenges in cohesion and agriculture

As regards **cohesion policy**, Members highlighted that the most frequently detected types of fraudulent irregularities among projects financed by the European Structural and Investment Funds during the 2014-2020 programming period were overpricing, incorrect, missing or falsified supporting documents, non-compliance with contractual provisions, ineligibility and violation of public procurement rules, as well as breaches of ethics and integrity, including conflicts of interest and corruption.

Members noted with concern that the proportion of contracts awarded to a single bidder was around 50% in the Czech Republic and Poland in 2018 and 2019, 40% in Hungary and Greece in 2019 and 38% in Portugal. These figures show that **serious public procurement failures** continue to occur in several Member States.

Parliament pointed out that a study on the implementation of CAP funds revealed serious problems in the disbursement of EU agricultural funds in at least five Member States. It noted with concern reports of structural misuse of the **European Agricultural Fund for Rural Development** (EAFRD) budget line. It called on the Commission and the Member States to strengthen measures against land grabbing, irregular tenders or other misuse of EU money, especially where national governments and authorities are involved.

Members deeply regretted that the current situation whereby one person can receive unlimited amounts from funds under shared management.

They called on the Commission to include in its proposal for the revision of the Financial Regulation an amendment 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. As regards the CAP, annual total amounts per natural person of **EUR 500 000** for first pillar payments and **EUR 1 000 000** for second pillar payments are adequate.

Available remedies and prevention in the current state of play

Parliament 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**. 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, Parliament regretted that the databases on beneficiaries of EU funds do not contain information on the ultimate beneficiaries and their beneficial owners. It 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.