Protection of the European Union’s financial interests - combating fraud - annual report 2022

2023/2045(INI) - 18/01/2024 - Text adopted by Parliament, single reading

The European Parliament adopted by 446 votes to 48, with 66 abstentions, a resolution on the protection of the European Union’s financial interests – combating fraud – annual report 2022.

General remarks

Parliament noted that the number of cases of fraud and irregularities reported by the competent EU and national authorities – 12 455 in total – slightly increased in 2022 compared to 2021. It observed that the affected financing related to these cases in 2022 decreased to EUR 1.77 billion (from EUR 2.05 billion in 2021). These numbers are still extremely high and represent a significant loss for the EU budget.

The resolution stated that involvement of civil society in tackling fraud is crucial to enhance prevention and detection, and that this implies support to investigative journalism which can be effective insofar as it is given easy and adequate access to information on projects, beneficiaries and payments.

Parliament stressed once again that corruption, particularly high-level corruption, including in EU institutions, is a particularly serious crime with the potential to extend across borders, affecting the Union’ s financial interests and the EU economy as a whole, and undermining citizens’ trust in democratic institutions in the EU and in the Member States.

The resolution pointed out that the EPPO has an ongoing investigation into the acquisition of COVID-19 vaccines by the Commission.

Revenue

In 2022, the overall number of fraudulent and not fraudulent irregularities related to Traditional Own Resources (TOR) (4 661) was 7.6 % higher compared to the five-year average (2018-2022). Inspections by anti-fraud services and post-release controls were the most successful detection tools for fraudulent and non-fraudulent irregularities, respectively, combined, increasingly, with tax audits and release controls. Smuggling, incorrect value and incorrect classification and misdescription of goods were the main *modi operandi* in fraudulent cases, with a particular increase in reported cases of cigarette smuggling.

In monetary terms, China remained the major country of origin of goods affected by irregularities, the United States and Vietnam being second and third, and that textiles and footwear were the goods most affected, in terms of both the number and the value of the cases detected and reported.

Expenditure

The number of fraudulent and non-fraudulent irregularities reported as affecting the rural development implementing actions increased in the period 2018-2022, mainly owing to the increased detection rate in respect of actions within the programming period 2014-2022.

The resolution noted that the greatest number of irregularities reported in 2022, both fraudulent and non-fraudulent, affected the European Regional Development Fund (ERDF, for respectively 59 % and 67 %) and, to a minor extent, the European Social Fund (ESF, for respectively 27 % and 20 %). The areas most at risk are transport and environmental protection, owing to the large amounts of money affected by the

misconduct, and Research, Technological Development and Innovation (RTD&I), where the recurrence of fraudulent irregularities is the highest.

Also in 2022, the number of reported irregularities affecting the Instrument for Pre-Accession (IPA) peaked. Parliament is aware that the cases concern the 2007-2013 Instrument for Pre-Accession Assistance I (IPA I) and 2014-2020 Instrument for Pre-Accession Assistance II (IPA II).

Digitalisation and transparency to enhance the fight against fraud

The resolution maintains that digitalisation has boosted the prevention and detection of fraud, simplified administrative procedures and that it needs to be at the heart of every anti-fraud strategy, including the National Anti-Fraud Strategies (NAFS). It emphasised that the EDES, as the EU's blacklist, has huge potential for flagging people and companies that misuse EU funds and called for the EDES to be extended to all types of management modes, in particular to shared management.

Parliament called for the IT system for data-mining and risk-scoring Arachne to be deployed as of 2026.

The EU anti-fraud architecture and key measures in 2022

Parliament welcomed the actions launched by the Commission in 2022 to enhance the level of protection of the EU's financial interests but calls for further vigilance and complementary actions in this field.

The Union's anti-fraud programme (UAFP) has been set up for a period of seven years, from 2021 to 2027, and 2022 is its second year of implementation, under direct management mode with OLAF as the lead service for programme implementation.

Parliament regretted the fact that the participation of Member States in the European Public Prosecutor's Office is not obligatory. It noted that, in 2022, only 22 Member States already participated in the EPPO, with the same five countries as in 2021 abstaining.

The resolution noted with concern that, by the end of 2022, three Member States (Finland, Ireland and Poland) still indicated that they had not adopted any strategy for protecting the EU's financial interests. Five Member States (Belgium, Spain, Luxembourg, the Netherlands and Romania) indicated that they were in the process of establishing one. Parliament urged the Member States to adopt a NAFS to show that they take the protection of EU funds seriously.

Parliament took note of the Council decision of 16 December 2022 to suspend the disbursement of EUR 6.3 billion of EU funds to Hungary. It expects the Commission and the Council to lift the adopted measures only where evidence is collected that the remedial measures adopted by the Hungarian Government have proven effective in practice and, in particular, that no regression has been detected on already adopted measures.

External dimension of the protection of the EU's financial interests

Parliament remarked that from 2021 to 2022, both the number of non-fraudulent irregularities and the financial amounts involved experienced exceptional increases. The increased number of cases was due to irregularities related to the 2014-2020 IPA II in relation to pre-accession assistance for rural development (IPARD) in North Macedonia and Türkiye, and that for most of these irregularities the financial amounts involved were below EUR 10 000, while the increase in financial amounts was due to irregularities concerning IPARD in Albania.

The Commission is called on to maintain an adequate monitoring level on these funding initiatives and to report to Parliament about possible systemic issues detected in the deployment of the resources.

In addition, according to Members, funds under the Neighbourhood, Development and International Cooperation Instrument – Global Europe (NDICI-Global Europe) for assistance in non-EU countries and the resources allocated for Europe's response to the war in Ukraine are **not adequately monitored and controlled**.

Lastly, Parliament recommended the suspension of budgetary support in non-EU countries, including candidate countries, where the authorities manifestly fail to take genuine action against widespread corruption, while ensuring that the assistance reaches the civil population through alternative channels.