Protection of the European Union’s financial interests – combating fraud – annual report 2023

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The Committee on Budgetary Control adopted an own-initiative report by Gilles BOYER (Renew, FR) on the protection of the financial interests of the European Union - combating fraud - annual report 2023.

This report, based on data provided by Member States, highlights the areas most at risk, allowing for targeted action to protect the Union’s financial interests more effectively.

General remarks on PIF reports and major threats

The report noted that the total number of frauds and irregularities reported by the competent European and national authorities has increased significantly, from 12 455 cases in 2022 to 13 563 cases in 2023, an increase of 9%. Members regretted that this figure is the highest ever reached and that it follows a growing trend over the last five years. Moreover, the total amounts concerned in 2023 (EUR 1.90 billion) are significantly higher than in 2022 (EUR 1.77 billion), having increased by 7.3%.

While welcoming the 2023 report on the protection of the EU’s financial interests (PIF report), Members agreed that, in order to effectively protect the Union's financial interests, the digital transition, which facilitates knowledge sharing and data processing, should be accelerated. They stressed the need for results-oriented governance and strong cooperation between the authorities responsible for administrative and judicial investigations, both at Union and Member State level.

The own-initiative report highlighted the urgent need to consolidate and modernise the EU's anti-fraud architecture (AFA). It is essential to adapt the AFA to more seamlessly integrate the role of the European Public Prosecutor's Office (EPPO), thereby improving cross-border investigations. Members reiterated their call for adequate resources for all EU actors involved in the fight against fraud. Adapting anti-fraud measures to new technologies is equally important as criminals increasingly exploit advanced IT tools and AI to misuse EU funds.

Members expressed their concern about the detrimental impact on Member States' national budgets resulting from the considerable financial losses of Value Added Tax (VAT) fraud reported by the European Public Prosecutor's Office. They also drew attention to the worrying number of investigations opened into the Recovery and Resilience Programmes (233) and the associated estimated financial loss (EUR 1.86 billion). They therefore called for appropriate action at national and European level.

The report stated that communication and transparency are essential in combating fraud and corruption. Protecting the media from political pressure and influence is also essential to safeguard their independence and their role as watchdog of democracy and the proper management of public funds. The Commission and Member States are urged to ensure maximum transparency in the use of funds, including information on final beneficiaries.

Members believe that high-level corruption, including within EU institutions, harms the EU's financial interests and its economy as a whole. Between 2019 and 2023, 11 countries reported 65 cases to the Commission. The irregular amounts reported in these cases total around EUR 50.5 million. The Commission is invited to ask the European Public Prosecutor's Office (EPPO) to inform Parliament how much of this EUR 50.5 million has been recovered. Members also called for an evaluation and periodic review of Member States ' anti-corruption strategies.

Over the period 2019-2023, 419 cases of conflicts of interest were reported through the IMS (compared to 375 over the period 2018-2022), representing a total amount of approximately EUR 112 million. Members called on the Commission to adopt the necessary initiatives to ensure consistent reporting of conflicts of interest and called for the provisions on conflicts of interest to be applied in a manner that ensures legal certainty.

Revenue

Members noted that in 2023, the total number of irregularities, fraudulent or not, related to traditional own resources (TOR) (5 118, compared to 4 661 in 2022) was 10% higher than the five-year average 2019-2023, but that the amount concerned decreased by 12% to EUR 478 million, compared to EUR 783 million in 2022. Members regretted that the recovery rate for fraudulent cases remained at 25%. They called on Member States to step up their efforts to improve the efficiency of their national administrations' recovery activities following the detection of VAT irregularities and fraud, in order to increase the amount of TOR made available to the Union budget.

Expenditure

Members expressed concern about the high level of fraud and irregularities detected in both 2023 and 2022 under the Common Agricultural Policy. According to OLAF, the highest financial amounts in fraud cases concerned environmental protection, research, technological development and innovation. The report highlighted the need to speed up the recovery process by setting clear deadlines and imposing late payment penalties so that funds are returned to the EU budget as quickly as possible.

NextGenerationEU (NGEU) and Recovery and Resilience Facility (RRF)

The report welcomed the Commission's efforts, through the revision of the 27 Recovery and Resilience Plans (RRPs), to adjust to the energy market disruptions following Russia's large-scale invasion of Ukraine. However, it pointed out that there are delays in the implementation of the Recovery and Resilience Facility (RRF) and called on the Commission to remain vigilant to ensure that Member States adequately protect the Union's financial interests.

Members called for the establishment of clear and measurable criteria for green investments under the EU budget and the RRF. They expressed concern about the possible increase in cases of fraud, corruption, double financing, and conflicts of interest in the coming years and urged the Commission and Member States to act swiftly to ensure the proper management and fair distribution of RRF funds.

Lastly, Members called on the Commission to ensure strict and swift implementation of all elements of the rule of law conditionality mechanism when Member States breach rule of law principles and when this undermines or threatens to undermine the Union's financial interests. They also stressed the need for coherence across various instruments when assessing the rule of law situation in Member States.