Basic information

2020/2126(INI) INI - Own-initiative procedure	Procedure completed
MFF 2021-2027: fight against oligarch structures, protection of EU funds from fraud and conflict of interest **Subject** 7.30.30.06 Action to combat economic fraud and corruption 8.70 Budget of the Union 8.70.02 Financial regulations 8.70.04 Protecting financial interests of the EU against fraud	

Key players

European Parliament

Committee responsible	Rapporteur	Appointed
CONT Budgetary Control	SARVAMAA Petri (EPP)	13/01/2021
	Shadow rapporteur RÓNAI Sándor (S&D) CSEH Katalin (Renew) FREUND Daniel (Greens /EFA) CZARNECKI Ryszard (ECR) FLANAGAN Luke Ming (The Left)	

Committee for opinion	Rapporteur for opinion	Appointed
AGRI Agriculture and Rural Development	ARA-KOVÁCS Attila (S&D)	28/06/2021

European Commission

Commission DG	Commissioner
Justice and Consumers	REYNDERS Didier

Key events

Date	Event	Reference	Summary
17/09/2020	Committee referral announced in Parliament		
10/02/2022	Vote in committee		

02/03/2022	Committee report tabled for plenary	A9-0039/2022	Summary
23/03/2022	Debate in Parliament		
24/03/2022	Decision by Parliament	T9-0100/2022	Summary
24/03/2022	Results of vote in Parliament		

Technical information	
Procedure reference	2020/2126(INI)
Procedure type	INI - Own-initiative procedure
Procedure subtype	Initiative
Legal basis	Rules of Procedure EP 55
Stage reached in procedure	Procedure completed
Committee dossier	CONT/9/03592

Documentation gateway

European Parliament

Document type	Committee	Reference	Date	Summary
Committee draft report		PE697.861	10/11/2021	
Amendments tabled in committee		PE702.948	08/12/2021	
Committee opinion	AGRI	PE697.592	13/01/2022	
Committee report tabled for plenary, single reading		A9-0039/2022	02/03/2022	Summary
Text adopted by Parliament, single reading		T9-0100/2022	24/03/2022	Summary

European Commission

Document type	Reference	Date	Summary
Commission response to text adopted in plenary	SP(2022)452	26/07/2022	

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

2020/2126(INI) - 02/03/2022 - Committee report tabled for plenary, single reading

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.

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

2020/2126(INI) - 24/03/2022 - Text adopted by Parliament, single reading

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.