

30th Annual PIF Report

Thomas Wahl

News

On 11 October 2019, the European Commission published its [2018 report on the protection of the European Union's financial interests – fight against fraud](#). It is the 30th annual report, the first report having been published in January 1990. Hence, the 2018 report not only contains information about the measures, results, and initiatives in 2018, but also outlines the major achievements of the EU's fight against fraud and the protection of the EU budget over the last three decades. This historical review has also been summarised in the [brochure "Protecting the European Union's financial interests – 30 years of joint efforts"](#).

A wealth of information is provided on achievements and challenges in 2018. A first section outlines the cross-cutting policies, measures, and results in 2018 as follows:

- Legislative acts adopted by EU institutions;
- European institutions' legislative and policy initiatives;
- CJEU jurisprudence;
- Measures taken by the Member States;
- Summary of statistics on detected fraud and irregularities.

The report continues with measures and results in the areas of revenue and expenditure. It also covers the following:

- Recovery and other preventive/corrective measures;
- Cooperation with Member States;
- Early Detection and Exclusion System (EDES);
- Follow-up to the European Parliament's resolution on the 2017 PIF report.

The report highlights the following *cross-cutting measures that were adopted*:

- Work on implementation of the Regulation on the establishment of the European Public Prosecutor's Office (EPPO), the Netherlands and Malta having joined to the EPPO in August 2018;
- Regulation (EU, Euratom) 2018/1046, the "Omnibus regulation," which revises the EU's financial rules to simplify them and make them more result-oriented. It includes revisions that simplify the use of financial instruments under the European Structural and Investment Funds. It also redefines conflicts of interest for all financial actors implementing the EU budget in the various management modes, including at the national level;
- Commission proposal to revise Regulation (EU, Euratom) No 883/2013. The revision of the Regulation is primarily driven by the need to adapt the operation of OLAF to the functioning of the future EPPO (see also [eu crim 1/2018](#), pp. 5-6);

AUTHOR

Thomas Wahl

Senior Researcher
Max Planck Institute for the
Study of Crime, Security and
Law

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- Council Regulation (EU) 2018/1541 on administrative cooperation and the fight against fraud in the field of VAT to increase the capacity of the Member States to address the most damaging VAT fraud schemes and diminish the VAT gap (see [eucrim 3/2018](#), pp. 161-162);
- Commission Anti-Fraud Strategy of 29 April 2019 (see [eucrim 1/2019](#), p. 15 and the article by Marin/Makri in this issue).

In addition, the anti-fraud provisions in the legal framework of the next multiannual spending period 2021-2027 were refined. This includes the persons' obligation to fully cooperate in the protection of the EU's financial interests and to grant access rights to the Commission, OLAF, the EPPO, and the European Court of Auditors (ECA) as well as to other third parties who are involved in implementing EU funded grants.

As regards traditional, own resources (mainly customs duties) on the *revenue side*, detected fraudulent and non-fraudulent irregularities decreased in 2018 compared to the five-year average for the period 2014-2018; however, the financial amount affected was larger.

In 2018, solar panels were the goods most affected by fraud and irregularities in monetary terms as was the case in 2017 and 2016. The most challenging problem, however, remains the undervaluation of goods, in particular footwear and textiles imported from China. Furthermore, fraudsters increasingly abuse the low-value consignment reliefs when it comes to cross-border e-commerce. As a result, the 2018 PIF report makes several recommendations to the Member States; they must enhance and enforce customs control strategies for cross-border e-commerce trade and ensure the correct collection of traditional, own resources.

As for the *expenditure side*, the report acknowledges that the Member States have put in place a number of measures; however, they differ widely in nature and purpose. In 2018, Member States' operational measures included the introduction of IT risk scoring tools, fraud risk assessments, and training courses to raise general fraud awareness. Statistical data paint a picture similar to that for revenue: fewer fraud cases detected, but a larger financial amount affected.

The report also shows that findings concerning the patterns and conclusions presented in previous annual reports can be verified: as regards the agricultural sector, most problems persist on the local level, which makes prompt action on the part of national authorities necessary. As regards the cohesion funds, improvements were made in 2018, and the strengthened prevention capabilities seem to show promising results. However, the Commission has still to assess whether they are actually due to more efficient systems rather than to under-detection and under-reporting.

As in previous years, the current report calls on Member States to adopt or further develop their national anti-fraud strategies in order to ensure correct spending of EU funds. In this context, the following aspects should be taken into account:

- Risk analysis conclusions contained in the present and previous reports;
- The need to structure the coordination between administrative and criminal checks and investigations;
- Incorporation of tips from the media and from whistleblowers into the control system;
- Opportunity to strengthen the risk analysis-based approach to detect irregularities and fraud, including the use of IT tools.

Since the 2018 PIF report is the last report in the era of the Juncker Commission, it ultimately takes stock of the *achievements during this mandate*. The most important achievements were:

- The Directive on the fight against fraud by means of criminal law (see also [eucrim 2/2017](#), pp. 63-64);

- The Regulation to establish the EPPO by enhanced cooperation (see also eucrim 3/2017, pp. 102-103);
- The revision of the financial regulation (see above);
- The proposal for a targeted revision of OLAF Regulation 883/2013.

When presenting the report *Günther Oettinger*, Commissioner for Budget and Human Resources at the time, also pointed out the launch of the “EU Budget Focused On Results” (BFOR) initiative, which aims at joint efforts on the part of EU institutions, governments, and civil society with a view to better spending, increased accountability, and transparency.

The PIF 2018 report concluded that the new anti-fraud strategy of April 2019 will be the main basis for the new Commission under *Ursula von der Leyen* in order to meet the future challenges posed by the changing environment, in particular by new technologies.

The 2018 PIF report is accompanied by five staff working documents addressing the following issues:

- Implementation of Article 325 by the Member States in 2018 (SWD(2019) 364);
- Statistical evaluation of irregularities reported for own resources, natural resources, cohesion policy and pre-accession assistance, and direct expenditure (SWD(2019) 365 final – [part 1](#), [part 2](#), and [part 3](#));
- Follow-up to recommendations to the Commission report on the protection of the EU’s financial interests – fight against fraud, 2017 (SWD(2019) 363 final);
- Early Detection and Exclusion System (EDES) – Panel referred to in Article 108 of the Financial Regulation (SWD(2019) 362 final);
- Annual overview, with information on the results of the Hercule III Programme in 2018 (SWD(2019) 361 final)

The PIF report will now be discussed in the European Parliament, which will issue a resolution on the situation of the protection of the EU’s financial interests.

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