

EP's Statement on Annual PIF Report 2020

Thomas Wahl

News

In a [resolution of 7 July 2022](#) (adopted by 437 to 94 votes with 39 abstentions), the European Parliament (EP) assessed the findings of the annual report 2020 on the protection of the EU's financial interests. This so-called PIF report was presented by the Commission on 20 September 2021 (→ [eu-crim 3/2021, 149-151](#)). It highlighted, *inter alia*, the risks associated with the COVID-19 pandemic and risks in relation to the new Recovery and Resilience Facility (RRF), which will pour a huge amount of money into the Member States in order to mitigate the consequences of the pandemic (→ [eu-crim 3/2020, 174](#)).

Parliamentarians stressed that COVID-19 is indeed likely to offer new opportunities to fraudsters. Member States should continue to subject emergency expenditure to a high level of control and monitoring. Moreover, an unprecedented level of attention and control is needed to ensure that the EU funds under the new Multiannual Financial Framework (MFF 2021-2027), combined with the NextGenerationEU recovery plan, are able to make the best contribution to the common goals of the Union.

The resolution additionally addresses several topics of the PIF report. The main calls of the EP for these topics are as follows:

- *Detected fraudulent and non-fraudulent irregularities*: Since there is diversity of approaches to the protection of the EU budget by the criminal laws of the Member States, the Commission is urged to consider further harmonising measures. Due to the fact that fraud is becoming increasingly appealing for organised crime groups, many Member States should consider to establish specialised legislation to tackle organised crime, including mafia-type crime;
- *Revenue – own resources fraud*: Member States must assess the risks and shortcomings of their respective national customs control strategies, while the Commission must help Member States to ensure the implementation of uniform controls within the EU;
- *Expenditure fraud*: Strengthened transparency rules regarding beneficiaries are needed. More investigations must be carried out against companies that use EU funds but do not respect employment laws or fundamental rights of workers;
- *External dimension of PIF*: EU institutions and bodies should put more emphasis on the correct spending of EU funds allocated to non-EU countries. Measures must include the suspension of budgetary support in non-EU countries where authorities manifestly fail to take action against widespread corruption. Corruption risks associated with large-scale construction and investment projects undertaken by authoritarian third countries in Member States must be monitored;

AUTHOR

Thomas Wahl

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

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- *Digitalisation in the service of PIF*: The EU must achieve a greater degree of digitalisation, interoperability of comparable data systems and harmonisation of reporting, monitoring and auditing. The Commission should explore the possibility of using AI to protect the EU's financial interests. The risk scoring tool ARACHNE must be made mandatory for the 2021-2027 MFF and the implementation of the RRF. Lastly, the Early Detection and Exclusion System (EDES) must also cover shared management of EU funds (→ ECA special report 11/2022 (separate news item));
- *The Commission's (2019) anti-fraud strategy (CAFS)*: Considering that Member States have a frontline responsibility for managing about 80% of the EU's expenditure and for collecting almost all the revenue, it is disappointing that Member States have given only little support to the implementation of the CAFS in the first years;
- *PIF at Member State-level*: More Member States must adopt national anti-fraud strategies (NAFS) and those Member States which have done so must update them in order to cope with new risks posed by the increased amounts of the EU funds;
- *OLAF and EPPO*: Having regard to the decline in the indictment rate in cases that OLAF referred to Member States, national authorities must cooperate closely with OLAF and open criminal cases whenever necessary to ensure the recovery of misused EU funds. Furthermore, the complex anti-fraud architecture in place (involving OLAF, the EPPO, Europol, the AFCOS and other EU and national agencies) requires close cooperation between the players. Member States not participating in the EPPO must soon sign cooperation agreements with it;
- *Rule of law and the fight against corruption*: It is high time for the Commission to fulfil its role as "guardian of the treaties" and to tackle the ongoing violations of the rule of law in several Member States, in particular Poland and Hungary, as these violations represent a serious danger to the EU's financial interests. High-level corruption cases must be systematically prosecuted and funds must be repaid whenever cases of corruption or fraud have been proven;
- *Anti-fraud architecture of the EU and annual reporting*: The Commission should ensure that a holistic approach is followed avoiding overlapping and fostering integration of the several existing layers involved in anti-fraud measures. Furthermore, a specific annual Commission report is needed which includes analyses and the state of play of the overall anti-fraud infrastructure, assesses the level of interoperability in the fight against fraud and addresses links with other relevant instruments, such as the anti-corruption report and the application of the Rule of Law Conditionality Mechanism.

The EP's resolution is an important policy statement on how the EU intends to protect its budget in the near future.

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