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

European Parliament resolution of 18 January 2024 on the protection of the European Union's financial interests – combating fraud – annual report 2022 (2023/2045(INI))

(C/2024/5730)

The European Parliament,

- having regard to Articles 310(6) and 325(5) of the Treaty on the Functioning of the European Union (TFEU),
- having regard to the Commission report of 27 July 2023 entitled '34th Annual Report on the protection of the European Union's financial interests and the fight against fraud – 2022' (COM(2023)0464) (PIF Report 2022),
- having regard to the European Anti-Fraud Office (OLAF) Report 2022 ⁽¹⁾ and the 2022 Annual Report of the OLAF Supervisory Committee ⁽²⁾,
- having regard to the European Public Prosecutor's Office (EPPO) 2022 Annual Report published on 1 March 2023,
- having regard to Regulation (EU, Euratom) 2020/2092 of the European Parliament and of the Council of 16 December 2020 on a general regime of conditionality for the protection of the Union budget (the Conditionality Regulation) ⁽³⁾,
- having regard to the judgments of the Court of Justice of the European Union (CJEU) of 16 February 2022 in Cases C-156/21 ⁽⁴⁾ and C-157/21 ⁽⁵⁾ and the CJEU's conclusions that the rule of law conditionality mechanism is in line with EU law,
- having regard to the Commission proposal of 18 September 2022 for a Council implementing decision on measures for the protection of the Union budget against breaches of the principles of the rule of law in Hungary (COM(2022) 0485),
- having regard to Regulation (EU) 2021/1060 of the European Parliament and of the Council of 24 June 2021 laying down common provisions on the European Regional Development Fund, the European Social Fund Plus, the Cohesion Fund, the Just Transition Fund and the European Maritime, Fisheries and Aquaculture Fund and financial rules for those and for the Asylum, Migration and Integration Fund, the Internal Security Fund and the Instrument for Financial Support for Border Management and Visa Policy ⁽⁶⁾ (the Common Provisions Regulation),
- having regard to the Commission proposal of 16 May 2022 for a regulation of the European Parliament and of the Council on the financial rules applicable to the general budget of the Union (Financial Regulation recast) (COM(2022) 0223),
- having regard to Directive (EU) 2017/1371 of the European Parliament and of the Council of 5 July 2017 on the fight against fraud to the Union's financial interests by means of criminal law ⁽⁷⁾ (PIF Directive),
- having regard to the Commission report of 16 September 2022 to the European Parliament and the Council entitled 'Second report on the implementation of Directive (EU) 2017/1371 of the European Parliament and of the Council of 5 July 2017 on the fight against fraud to the Union's financial interests by means of criminal law' (COM(2022)0466),
- having regard to Directive (EU) 2019/1937 of the European Parliament and of the Council of 23 October 2019 on the protection of persons who report breaches of Union law ⁽⁸⁾,

⁽¹⁾ OLAF, Twenty-third report of the European Anti-Fraud Office, 1 January to 31 December 2022, 2022.

⁽²⁾ Activity Report of the Supervisory Committee of OLAF – 2022, OJ C 225, 27.6.2023, p. 1.

⁽³⁾ OJ L 433 I, 22.12.2020, p. 1.

⁽⁴⁾ Judgment of the Court of Justice of 16 February 2022, *Hungary v Parliament and Council*, ECLI:EU:C:2022:97.

⁽⁵⁾ Judgment of the Court of Justice of 16 February 2022, *Poland v Parliament and Council*, ECLI:EU:C:2022:98.

⁽⁶⁾ OJ L 231, 30.6.2021, p. 159.

⁽⁷⁾ OJ L 198, 28.7.2017, p. 29.

⁽⁸⁾ OJ L 305, 26.11.2019, p. 17.

- having regard to the Commission communication of 13 July 2022 entitled ‘2022 Rule of Law Report’ (COM(2022) 0500),
- having regard to the study entitled ‘Strengthening the fight against organised crime: Assessing the legislative framework’, published in December 2022 ⁽⁹⁾,
- having regard to the report entitled ‘Assessing the Threats to the NextGenerationEU (NGEU) fund – A Joint Europol-OLAF Report’, made public on 6 June 2023,
- having regard to the European Ombudsman’s ‘Closing note on the Strategic Initiative concerning the transparency and accountability of the Recovery and Resilience Facility’ of 12 September 2023 in relation to Case SI/6/2021/PVV, opened on 24 February 2022,
- having regard to the European Court of Auditors (ECA) annual activity report for 2022 published on 4 May 2023,
- having regard to the ECA Review 04/2023 of 6 July 2023 entitled ‘Digitalising the management of EU funds’,
- having regard to the ECA Special report 06/2023 of 13 March 2023 entitled ‘Conflict of interest in EU cohesion and agricultural spending – Framework in place but gaps in transparency and detection measures’,
- having regard to Regulation (EU) 2021/785 of the European Parliament and of the Council of 29 April 2021 establishing the Union Anti-Fraud Programme and repealing Regulation (EU) No 250/2014 ⁽¹⁰⁾,
- having regard to its resolution of 23 November 2021 with recommendations to the Commission on digitalisation of the European reporting, monitoring and audit ⁽¹¹⁾,
- having regard to the Commission communication of 14 December 2020 on the review of the European Union under the Implementation Review Mechanism of the United Nation Conventions against Corruption (UNCAC) (COM(2020) 0793),
- having regard to its recommendation of 17 February 2022 to the Council and the Vice-President of the Commission / High Representative of the Union for Foreign Affairs and Security Policy concerning corruption and human rights ⁽¹²⁾,
- having regard to its resolution of 19 January 2023 on the protection of the European Union’s financial interests – combating fraud – annual report 2021 ⁽¹³⁾,
- having regard to Rule 54 of its Rules of Procedure,
- having regard to the report of the Committee on Budgetary Control (A9-0434/2023),
- A. whereas, in line with the obligation laid down in Article 325(5) TFEU, each year the Commission, in cooperation with the EU Member States, submits a report to the European Parliament and to the Council on the measures taken for the implementation of the article (known as the PIF Report);
- B. whereas sound public spending and the protection of the EU’s financial interests should be key elements of EU policy in order to increase citizens’ confidence by ensuring that taxpayers’ money is used properly and effectively;
- C. whereas the PIF Report is based on information provided by the Member States, including data on irregularities and fraud detected; whereas the PIF Report must take into account the financial specifics of each Member State and provide the necessary flexibility in this regard;
- D. whereas the number of fraudulent irregularities detected and reported demonstrates the results of Member States’ efforts to counter fraud and other illegal activities and should not be interpreted as an indication of the level of fraud in the Member States;
- E. whereas all Member States should be treated in a correct and objective manner;
- F. whereas there are different levels and actors involved in the protection of the EU budget through prevention (interruption and suspension of payments), detection, financial corrections and the recovery of money unduly paid;

⁽⁹⁾ European Commission, Directorate-General for Migration and Home Affairs, Blondes, E., Disley, E., Hulme, S. et al., Study ‘Strengthening the fight against organised crime – Assessing the legislative framework’, Publications Office of the European Union, 2022.

⁽¹⁰⁾ OJ L 172, 17.5.2021, p. 110.

⁽¹¹⁾ OJ C 224, 8.6.2022, p. 11.

⁽¹²⁾ OJ C 342, 6.9.2022, p. 295.

⁽¹³⁾ OJ C 214, 16.6.2023, p. 133.

- G. whereas the Early Detection and Exclusion System protects the EU budget from risks of insolvency, negligence, fraud or irregularity committed by private actors;
- H. whereas the rule of law conditionality mechanism applies to the entire EU budget and allows measures to be taken in cases of breaches of the rule of law principles that affect or seriously risk affecting the sound financial management of the EU budget or the EU's financial interests;
- I. whereas respect for the values on which the Union is founded and for fundamental rights, as well as compliance with the Charter of Fundamental Rights of the European Union are prerequisites for accessing EU funding;
- J. whereas fraud and corruption represent a constant danger to the integrity of decision-making;
- K. whereas Article 22 of Regulation (EU) 2021/241 of the European Parliament and of the Council of 12 February 2021 establishing the Recovery and Resilience Facility ⁽¹⁴⁾ (the RRF Regulation) contains provisions concerning the protection of the EU's financial interests;
- L. whereas the varying levels of digitalisation in the Member States needs to be addressed by the creation of more unified, interoperable and comparable administrative and reporting systems in the EU, which are functional and necessary for a solid comprehensive analysis and for the effective prevention of irregularities and countering of fraud and corruption; whereas the Member States must be encouraged, in parallel, to make use of EU-wide data mining tools such as Arachne or the Early Detection and Exclusion System (EDES);
- M. whereas Arachne is voluntary tool and, although already largely used in cohesion policy and being introduced for agricultural spending, making it mandatory – as repeatedly requested by Parliament – would be a major step forward;
- N. whereas the diversity of legal and administrative systems in the Member States is a disadvantage and whereas it needs to be adequately addressed to be able to create more unified, interoperable and comparable administrative and reporting systems in the EU to effectively prevent and fight fraud and corruption and overcome irregularities;
- O. whereas cooperation with international partners and global financial institutions is crucial to protect EU funds spent outside Europe and the revenue side of the EU budget;

General remarks

1. Welcomes the PIF Report 2022 and the analyses presented therein;
2. Shares the Commission's view that fraud prevention and detection and the monitoring of the return mechanisms for misappropriated funds must rely on further digitalisation and the use of cutting-edge technology based on machine learning in order to increase the accessibility, interoperability, use and management of data relating to potential fraud; points out that efficient anti-fraud governance and effective result-oriented processes and adequately equipped structures must be in place to ensure cooperation and coordination between all the components of the anti-fraud architecture and the relevant actors; believes that, to this end, the necessary digital and procedural knowledge must be provided to the officials responsible for the various components of the anti-fraud architecture;
3. Recalls that in order to ensure a high level of protection to the EU's financial interests, solid cooperation between the authorities conducting administrative investigations and those conducting criminal investigations at both EU and Member State levels is essential;
4. Appreciates the efforts made by the Commission to anticipate the publication of the annual PIF Report, which allows Parliament's resolution to be adopted within year n+1 and makes the remarks and recommendations contained therein more topical;
5. Appreciates the improved overall coherence of the anti-fraud legislation across the EU, following the actions undertaken by Member States to transpose the EU rules into national systems correctly; expresses concerns that, in some respects, the situation is still sub-optimal, in particular as regards the detection and reporting of suspected fraud and irregularities and their follow-up, for which the differences between Member States are still very notable;
6. Stresses that prevention and communication are key to combat fraud and corruption, and that the Commission should support the Member States in implementing effective measures in these areas;
7. Shares the Commission's view that fraud risk analysis should be enhanced in order to assess whether reporting low levels of fraud is a consequence of a genuinely low occurrence of misconduct or a consequence of weak detection;

⁽¹⁴⁾ OJ L 57, 18.2.2021, p. 17.

8. Regrets the fact that in many Member States national authorities do not always follow up on the Commission's and OLAF's recommendations, report exhaustively or adopt acknowledged good practices in a timely manner; points out that in many Member States, the percentage of irregularities that are still classified as suspected fraud many years after they were initially reported is extremely high, even in relation to cases indicated as closed; believes that such situations suggest a lack of adequate follow-up, insufficient or inadequately trained resources, communication gaps or inefficient reporting channels, weak cooperation and coordination, or even the unjustified postponement of reclassifying irregularities as fraudulent in order to adjust the statistical reporting;
9. Highlights that in such cases, the Commission should support the Member States in the debureaucratisation of the fraud detection, follow-up and reporting process;
10. Suggests that both the EU and national authorities should enhance cooperation and promote greater utilisation of digital tools to combat fraud;
11. Notes 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; observes that the affected financing related to these cases in 2022 decreased to EUR 1.77 billion (from EUR 2.05 billion in 2021); believes that these numbers are still extremely high and represent a significant loss for the EU budget;
12. Is aware that the year-to-year comparison of the reporting of irregularities does not always offer a reliable analysis of trends and patterns because of the multiannual cycle of implementation of numerous programmes; considers that the comparison with a five-year average is more suitable for identifying real-time situations; appreciates in this context that, in the PIF Report 2022, reference is frequently made to the results of the 2018-2021 period;
13. Believes 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; stresses, in particular, the important role played by the media and investigative journalists in the fight against corruption; reiterates that enhanced and consistent levels of protection for journalists and whistleblowers across the Union helps to counter the spread of a subculture of impunity, silence and conspiracy; notes, having regard to media pluralism and media freedom, that the most recent results of the Media Pluralism Monitor (MPM 2022) registered a slight deterioration of the indicator relating to the protection of journalists and that news media concentration retains a very high risk level across the continent; takes the view that safeguarding the media from political pressure and influence, as well as guaranteeing the right of access to information held by public authorities, are essential to protect the media's independence, its role of the watchdog of democracy and the sound management of resources;
14. Welcomes the joint communication from the Commission and the High Representative of the Union for Foreign Affairs and Security Policy of 3 May 2023 on the fight against corruption (JOIN(2023)0012), acknowledging the seriousness of corruption, as it undermines the efficiency of public spending, the effectiveness of the single market and the sustainability of economic growth; points out that the fight against corruption is one of the most important commitments of the Union, on a par with transparency and integrity; stresses that the phenomenon of nepotism with regard to state-owned entities and procurement for EU funds also poses a great risk to sound management and the EU's financial interests; welcomes, therefore, the new proposal for a directive on combating corruption ⁽¹³⁾;
15. Is concerned about the fact that it is difficult to estimate the extent to which organised crime is benefiting illegally from the EU's finances with any great precision; maintains that a common approach to assess the impact of organised crime on EU funds and to evaluate the effectiveness of the measures taken to tackle the problem is needed across the Member States; calls on the Commission to swiftly launch all necessary actions to pursue this harmonisation;
16. Highlights the importance of an impact assessment which evaluates the economic and social impact of fraud on the EU's financial interests and on its citizens; calls for an analysis of how the resources allocated for fraud prevention compare to the potential losses prevented;

⁽¹³⁾ Proposal of 3 May 2023 for a directive of the European Parliament and of the Council on combating corruption, replacing Council Framework Decision 2003/568/JHA and the Convention on the fight against corruption involving the officials of the European Communities or officials of Member States of the European Union and amending Council Directive (EU) 2017/1371 of the European Parliament and of the Council (COM(2023)0234).

17. Maintains that the lack of efficient transposition of national legislation in many Member States and the lack of harmonisation of national legislation offer opportunities to organised crime for a number of illegal cross-border activities in areas affecting the Union's financial interests; reiterates, therefore, its previous calls for the revision of Council Framework Decision 2008/841/JHA on the fight against organised crime⁽¹⁶⁾ and for the introduction of a new common definition of organised crime, taking into account, in particular, the use of corruption, violence, threats or intimidation to obtain control of economic activities or procurement;

18. Observes that the EU Strategy to tackle Organised Crime 2021-2025⁽¹⁷⁾ aims to set out the tools and measures to disrupt the business models and structures of criminal organisations across borders, both online and offline; calls on the Member States to contribute on the Commission's efforts and to establish regional cooperation networks for sharing information on cases and strategies to combat fraud perpetrated by organised criminals; recalls, in this regard, the importance of the proposed new Directive on Asset Recovery and Confiscation⁽¹⁸⁾ whose effective implementation would provide authorities with better tools to deprive organised crime groups of the financial means to carry out further criminal activities; recalls, furthermore, that in the fight against cross-border organised crime, the exchange of best practices and development of common and coordinated strategies are pivotal;

19. Points out that in relation to corruption cases, the EPPO reported 87 investigated offences at the end of 2022 (compared to 40 cases investigated in the first seven months of operational activities in 2021); remarks that in the Irregularity Management System (IMS), from 2018-2022, 30 cases were reported by 10 Member States, 5 relating to agriculture, 22 to cohesion and 3 to pre-accession with an overall financial impact estimated at about EUR 50 million;

20. Stresses 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; reiterates that within the EU institutions there must be a zero-tolerance policy towards corruption; supports mainstreaming anti-corruption into EU policy design;

21. Notes the fact that OLAF currently does not have, under any circumstances, access to Members' offices, computers and email accounts, even when investigating cases linked to Members based on a substantiated suspicion; underlines the need to have an adequate procedure for granting access to OLAF in cases of substantiated suspicions against individual Members; calls on the Bureau to set up such a procedure;

22. Points out that the EPPO has an ongoing investigation into the acquisition of COVID-19 vaccines by the Commission;

23. Stresses the obligation of every EU institution, Member State and public or private recipient of Union funds to disclose all relevant documents, including information on the preliminary negotiations conducted by the Commission, upon an official request of the ECA as part of an ongoing audit; recalls Parliament's recommendation, in its 2020 discharge resolution (Section III – Commission)⁽¹⁹⁾, related to access to the text messages exchanged with a pharmaceutical company regarding the purchase of a COVID-19 vaccine;

24. Highlights that the zero-tolerance policy towards corruption must be mainstreamed and properly communicated in the context of the European elections, to increase voter turnout and citizens' trust in public institutions;

25. Welcomes the fact that the Commission has included a specific section on anti-corruption in its annual report on the rule of law in order to provide an in-depth comparative analysis of the approaches, procedures and tools used by the Member States in their fight against corruption and to help to assess which areas are most at risk; asks the Commission to always include recommendations and follow-up observations for Member States for all sections of the rule of law report; reiterates the importance of fully addressing country-specific recommendations relating to corruption; calls on the Member States to take into account the findings of the rule of law report when developing their anti-corruption policies; calls on the Commission to intervene and support the Member States in addressing structural challenges regarding their anti-corruption capacity;

⁽¹⁶⁾ OJ L 300, 11.11.2008, p. 42.

⁽¹⁷⁾ Commission communication of 14 April 2021 on the EU Strategy to tackle Organised Crime 2021-2025 (COM(2021)0170).

⁽¹⁸⁾ Proposal of 25 May 2022 for a directive of the European Parliament and of the Council on asset recovery and confiscation (COM(2022)0245).

⁽¹⁹⁾ European Parliament resolution of 4 May 2022 with observations forming an integral part of the decisions on discharge in respect of the implementation of the general budget of the European Union for the financial year 2020, Section III – Commission and executive agencies, Texts adopted, P9_TA(2022)0144.

26. Points out that the 2022 Eurobarometer surveys on corruption show that corruption remains a serious concern for EU citizens and businesses in the EU, with a large part of European citizens believing that corruption is widespread in their country (68 %) and that the level of corruption has increased (41 %); appreciates that almost all Member States currently have anti-corruption strategies in place, which are regularly evaluated and revised, and recalls that not only a robust legal framework but also effective implementation are needed to eradicate corruptive practices and that preventing such practices also requires transparent and accountable governance and integrity frameworks; welcomes, in this context, the anti-corruption proposals presented by the Commission, which follow the calls from Parliament to step up the fight against corruption; notes that the Commission intends to integrate the prevention of corruption into the design of EU policies and programmes, and to actively support Member States' efforts to put in place strong anti-corruption policies and legislation; commends the will to tackle the cross-border dimension of corruption by criminalising corruption offences and harmonising penalties across the EU in coordination with the High Representative's proposal to establish a dedicated common foreign and security policy sanctions regime in order to target serious acts of corruption worldwide;

27. Emphasises that corruption and money laundering are intrinsically linked, and that money laundering is one of the most important enablers of organised crime's illegal activities by which criminals transfer the proceeds of their crime into the legal economy, and is aware that fraud against the EU budget may also be a predicate offence precursor to money laundering; stresses that the transnational dimension of these crimes makes them difficult to prevent, detect and counter as a result of heterogeneous legal systems; welcomes the progress on the establishment of the new Anti-Money Laundering Authority, following the proposal from the Commission in July 2021, the political agreement achieved in Council on 29 June 2022 and its position agreed on 7 December 2022 on the single rulebook, and the mandate to enter trilogues granted by Parliament's Plenary on 17 April 2023; regrets that the authority will not be fully operational until 2026;

28. Observes that, via IMS, in the period 2018-2022, 375 cases related to conflicts of interest were reported, which can also be detected in environments similar to those where corrupt practices occur; underlines that the large majority of reported cases of conflicts of interest are linked to the implementation of cohesion policies (86 % compared to 9 % for agriculture and 5 % for pre-accession), involving almost EUR 117 million overall for this period; underlines that the reported conflicts of interest mainly point to relations between recipients of the funds and their contractors and sub-contractors, while only 7 % of cases refer to conflicts of interest during the stage of awarding and/or evaluating projects, thereby involving members of evaluation committees;

29. Believes that this could be an indicator of the positive impact and deterrent effect of the amendments to the financial rules, which have been made applicable to all national authorities handling EU funds, together with the fact that one third of the cases were detected through sources external to the management and control system, including whistleblowers and investigative journalists, which suggests a basic level of transparency and accessibility and contributions from civil society;

30. Notes also with concern that the overall occurrence of cases of conflicts of interest is higher than reported in the IMS, as suggested by the additional information received by the Commission's Directorates-General for Regional and Urban Policy and for Employment, Social Affairs and Inclusion about conflict of interest cases and related recoveries in public procurement in the European Social Fund, Cohesion Fund and European Regional Development Fund, reported directly from the Member States via the EU's fund management system (known as the SFC, which in 2014-2020 presented 31 cases related to 16 programmes in 11 Member States with an impact of EUR 3.4 million);

31. Reiterates its call to make the annual PIF report more holistic, in order to provide a comprehensive overview of the synergies between all relevant actors, identify best practices and address shortcomings; welcomes, in this regard, the inclusion in the PIF Report 2022 of findings from the EPPO and OLAF annual reports; calls for the further improvement of this holistic approach, aiming at providing a clearer, more complete and more concrete picture of the overall state of play of the protection of the Union's financial interests, encompassing the entirety of anti-fraud action, both at national and EU level;

32. Calls for the provisions on conflicts of interest to be applied in a way that ensures legal certainty, to be based on a clear and proportionate assessment of the risks and allow a practical application by the competent authorities; calls for the Commission guidelines to provide clarity to applicants and decision-making bodies, to avoid unnecessary administrative burdens and to respect the principle of proportionality;

Revenue

33. Observes that, 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); notes with concern that the overall amounts affected by such irregularities, as estimated and established by Member States, also noticeably increased (by 47 %, reaching EUR 783 million); highlights, on the same issue, that the overall recovery rate in 2022 for both fraudulent and non-fraudulent cases was only 48 % (compared with 54 % in 2021) and that the figure for fraudulent cases was only 25 %, which was distributed across Member States very heterogeneously; asks the Commission to put greater efforts into the swift recovery of abused funds;

34. Points out that, in 2022, for only 19 new write-off reports submitted to the Commission by six Member States, the Commission considered that it had been satisfactorily demonstrated that TOR had been lost for reasons not imputable to the Member States in question and that they were not financially responsible for the loss, while in 82 cases amounting to almost EUR 39 million, the Commission considered that the Member States had not satisfactorily demonstrated that TOR had been lost for reasons not imputable to them and they were kept financially responsible for the loss (the Commission assessed 135 cases totalling EUR 76.8 million in 2022); encourages the Commission to retain this effective mechanism of revising the write-off cases in order to foster the effectiveness of national administrations' recovery actions;

35. Notes that, again in 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; stresses that in 2022, 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;

36. Welcomes OLAF's role in detecting and investigating fraud against the EU's TOR; takes note of a slight decrease in the number of open investigations in the field of own resources in 2022 and calls on the Commission to ensure that OLAF is provided with adequate resources to fully and effectively exercise its mandate;

37. Notes that, 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;

38. Reiterates its call to mitigate the VAT gap by addressing the lack of resources, the limited digital efficiency in tax administrations and the legislative loopholes which limit the efficacy of the measures to counter tax evasion and tax avoidance; recalls that strengthening administrative cooperation is the most effective way to counter cross-border VAT fraud;

39. Highlights that the EPPO has the competence to investigate serious offences against the common VAT system, connected with the territory of two or more Member States and involving total damage of at least EUR 10 million; is concerned about the data reported in the EPPO annual report for 2022, indicating that 16.5 % of its active investigations (185) were linked to VAT fraud, but that these account for 47 % of the estimated damage (EUR 6.7 billion);

40. Welcomes the Commission's second report, published on 16 September 2022, on the implementation of the PIF Directive (COM(2022)0466), but regrets the fact that the Commission refrained from intervening on the revision of the threshold of EUR 10 million, which has a major impact on the EPPO's activities in VAT fraud cases; stresses that the recurrent and still pending questions on the different interpretations of the methods applied to calculate the threshold (whether the damage occurring in several Member States should be aggregated, whether the countries included in the calculation should be confined to those participating in the EPPO) make the situation unclear; strongly believes that the current threshold limits dissuasiveness, allows perpetrators to seek out the weakest jurisdiction to evade the EPPO and has a detrimental effect on investigations, as the national authorities often do not have a full picture of the magnitude of the criminal activities at the initial stage of the investigation; calls on the Commission to reconsider its position in the next PIF Directive transposition report and remove the threshold, or substantially lower it, while in the meantime providing adequate guidance on the calculation method;

41. Underlines that effective cooperation between OLAF and the EPPO is a prerequisite for the sound management and protection of the financial interests of the EU budget, both on the expenditure and the revenue side; considers, in this context, that such strengthened cooperation can lead, on the revenue side, to an increase in the collection of revenue to the EU budget, thereby decreasing the GNI-based contribution of Member States, and on the expenditure side, to ensure that taxpayers' money is adequately spent;

42. Stresses the importance that OLAF and the EPPO should maintain operational independence;

43. Welcomes the statement of the President of the Commission Ursula von der Leyen that the EU needs to safeguard money being spent according to the purpose intended for it and in line with the rule of law principles, and to ensure that funds are protected;

Expenditure

44. Observes that 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; points out, however, that the number of fraudulent cases detected and reported is still lower than expected, and that this calls for increased monitoring of the situation;

45. Remarks that even if in 2022 the fraudulent irregularities reported under support to agriculture increased in comparison with 2021, the detection rates for rural development were noticeably higher than for support to agriculture; notes that within support to agriculture, the highest level of fraud was reported by the Member States for market measures; several complex cases related to the promotion of agricultural products were also investigated by OLAF;

46. Regrets that during the period 2018-2022, in both rural development and direct payments, the contributions to the detection of fraudulent cases provided by risk analysis, whistleblowers, informants and investigative journalists has been very limited; is also concerned about the length of the administrative procedures opened to deal with the fraudulent cases reported, which, on average and during 2014-2022, required nearly four years from the start of the irregularity to arrive at a suspicion of fraudulent activity, and nearly three more years to close the case after reporting it to the Commission; points out that, for cohesion, it took about a year and a half to arrive at a suspicion that a fraudulent irregularity had been committed and more than two years to close the fraudulent case after reporting it to the Commission; asks the Commission to provide recommendations and to follow-up more frequently with the Member States' authorities to reduce the length of administrative procedures;

47. Regrets the lack of transparency in the spending of public money by the Commission during the COVID-19 pandemic; regrets the fact that the Commission has not yet published a report on COVID-19-related expenditure ⁽²⁰⁾;

48. Notes 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 %); points out that 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;

49. Is concerned about the fact that in 2022 the number of reported irregularities affecting the Instrument for Pre-Accession (IPA) peaked, and 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); calls on the Commission to build on the lessons learnt in relation to these instruments to fraud-proof the future actions and initiatives with identical or similar goals, such as in the case of Ukraine, which is expected to receive very relevant resources from IPA and Horizon Europe, and where the correct deployment of resources, even in very difficult conditions, is paramount for the efficacy and effectiveness of the accession process;

50. Emphasises that in the area of cohesion policy, the number and financial amounts of the non-fraudulent irregularities that had been reported during the first nine years of the programming period 2007-2013 were much higher than those being reported during the programming period 2014-2020 and that this trend concerns all funds and most of the Member States;

51. Observes that for cohesion policy, the most frequent type of fraudulent violation reported in the IMS concerns the supporting documents (incorrect, missing, false or falsified), while for non-fraudulent irregularities, the infringement of public procurement rules is the most reported;

52. Notes with concern the findings of the ECA 2022 annual report on the implementation of the EU budget for the 2022 financial year, which show that despite improvements, audit authorities continue to address the risk of fraud insufficiently, and that Member State authorities do not report suspected fraud cases in the IMS as required; calls on these issues to be urgently addressed by the Commission;

53. Notes that, in 2022, the recovery items registered for irregularities in direct management were 770 (compared to 879 in 2021), of which 37 were for fraudulent cases (compared to 54 reported as fraudulent in 2021) amounting to EUR 61.28 million (of which EUR 5.67 million were for fraud, compared to EUR 7.04 million in 2021);

54. Observes that, overall, for direct management, the detected fraudulent irregularities have remained stable over the 2018-2022 period; appreciates that, for direct management in the period 2018-2022, OLAF is indicated as the source of detection for 88 % of the recovery items linked to irregularities reported as fraudulent, corresponding to 92 % of the total recovery amounts; observes that about 97 % of the irregularities not reported as fraud were detected through Commission controls;

⁽²⁰⁾ European Parliament resolution of 4 May 2022 with observations forming an integral part of the decisions on discharge in respect of the implementation of the general budget of the European Union for the financial year 2020, Section III – Commission and executive agencies, Texts adopted, P9_TA(2022)0144.

55. Is concerned that, between 2018 and 2022, average recovery levels were still low, with an average recovery rate of 56 % (resulting from 34 % for 'irregularities reported as fraudulent' and 59 % for 'irregularities not reported as fraudulent'); asks the Commission to put greater efforts into the swift recovery of abused funds;

56. Reiterates once more its call on the Commission to submit a legislative proposal on mutual administrative assistance in the areas of EU funds spending that do not provide for this practice so far, in order to ensure a cross-cutting approach to the protection of the Union's financial interests;

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

57. Recalls that, owing to the specific design of the RRF, Member States together with the Commission should ensure that the financial interests of the Union are effectively protected, in line with their respective responsibilities; underlines that the Member States' control systems must ensure that RRF-funded investment projects comply with EU and national rules; recalls that the Commission and the Member States must prevent any accountability gap at EU level and, if necessary, put in place additional safeguards to address this issue, in line with the relevant recommendations of the ECA;

58. Is aware that the implementation of the RRF is reaching its peak and that the regulation governing its deployment requires Member States to put in place effective and efficient control systems, with a view to protecting the Union's financial interests and ensuring compliance with EU and national rules;

59. Observes that the Commission assessed these control systems prior to the approval of the plans, and subsequently, in 2022, carried out 16 system audits targeting the protection of the EU's financial interests ⁽²¹⁾, covering the coordination and implementing bodies, such as ministries and agencies; expresses appreciation that the Commission is planning to audit all Member States at least once by the end of 2023, and welcomes the selection of the audit targets on the basis of a risk assessment;

60. Is concerned that the ECA identified weaknesses in the Member States' reporting and control systems, some of which were not fully functional at the presentation of the recovery plans, posing a risk to the regularity of RRF expenditure and to the protection of the EU's financial interests ⁽²²⁾ leading to the adoption of 'control milestones';

61. Remarks that the Commission's audit work has also confirmed variations in the internal control systems across the implementing and coordinating bodies, identifying good practices in some of the procedures in place to verify and prevent fraud, corruption, conflicts of interest and double funding; invites the Member States to share their best procedures in order to facilitate more coordinated and fraud-proof processing of the funds;

62. Is aware of the inherent characteristics of the RRF spending model, the difficulty of the assessment of an error rate comparable (to other EU spending areas) and the limitations posed by the Commission's payment suspension methodology ⁽²³⁾; recalls, nevertheless, that delays can be observed in Member States' submission of payment requests under the RRF and calls on the Commission to remain vigilant, in particular towards the end of the RRF lifecycle, in order to ensure that Member States protect the financial interests of the EU and that EU taxpayers' money is adequately spent; points out that, in particular, the countering of fraud, corruption, conflicts of interest (defined as 'serious irregularities') and double funding should receive appropriate resources and attention;

63. Recalls the findings of the ECA in the 2022 Annual report, namely that control milestones in the national recovery and resilience plans vary in their requirements and granularity; questions why certain Member States were required to merely design their control system, while others were required to have an operational system;

64. Calls on the Commission to urgently revise its *ex post* audit procedures, in order to ensure adequate verification of whether the audited targets previously assessed as fulfilled were not reversed after the respective payments;

65. Further calls on the Commission to continuously monitor the fulfilment of the milestones and targets relating to the protection of the financial interests of the EU and to apply all necessary measures in the event of lack of compliance or the reversal of previously fulfilled milestones, including proportionate reduction of the support under the RRF and recovery of any amount due to the Union budget, or to ask for early repayment of the loan, in cases of fraud, corruption, and conflicts of interests affecting the financial interests of the Union, or a serious breach of an obligation resulting from the financing agreements, which have not been corrected by the Member State;

⁽²¹⁾ ECA, 2022 EU audit in brief, p. 57.

⁽²²⁾ ECA, 2022 Annual report, paragraphs 11.47 to 11.55.

⁽²³⁾ In Spain, Slovakia, Estonia, Denmark, Greece, Czechia, Italy, Lithuania, Malta, Slovenia, Bulgaria, Cyprus, Finland, Ireland, Latvia and Poland.

66. Reiterates that the effective prevention, detection and investigation of illegal activities threatening the implementation of the NGEU, in particular the risks of the infiltration of organised criminal groups, depend on the effective collection and sharing of data, including the rapid handling of access requests from investigative services within a Member State, as well as from other countries or at EU level, by OLAF and the EPPO and, if necessary, by Eurojust and Europol, to whom access is to be granted;

67. Regrets the Commission's interpretation of the concept of 'final recipient' under the RRF; recalls that, according to the modified RRF Regulation, Member States should publish the list of the largest 100 final recipients receiving the highest amount of funding for the implementation of measures under the RRF; regrets that the Commission does not request that Member States provide information on the final beneficiary or recipient of RRF funding and chose to require Member States to provide information only about 'second-level recipients'; is of the opinion that this interpretation is not in line with the agreement between the co-legislators;

68. Welcomes the joint analysis by Europol and OLAF assessing the risks of fraud and irregularities in relation to the NGEU; welcomes the recommendations made by Europol and OLAF and calls on the Commission, the specialised EU agencies and bodies, as well as Member States, to actively cooperate and interact to ensure the protection of the EU's financial interests when implementing the NGEU;

69. Welcomes the Ombudsman's strategic initiative, launched in February 2022, conducted to examine the transparency of the national recovery and resilience plans, public information and communication strategies on the RRF, and on how the funds are supervised; emphasises the importance of this initiative, given that the ECA annual report for 2022 contained a higher estimated level of error for that year; welcomes Ombudsman's efforts to improve transparency standards in the RRF;

70. Recalls the 'NextGenerationEU - Law Enforcement Forum' (NGEU-LEF), a joint initiative co-led by Europol and Italy, bringing together Europol, the EPPO, OLAF, Eurojust, the European Union Agency for Law Enforcement Training and national authorities by providing a forum for intelligence sharing and the coordination of operations to tackle the infiltration of organised crime into the legal economy, and to protect the NGEU stimulus package, with a specific focus on corruption, tax evasion, embezzlement and money laundering; welcomes the fact that the NGEU-LEF initiative won the European Ombudsman Award for Good Administration 2023 in the category 'most popular with the public';

71. Is concerned that many issues still exist, mainly because of a lack of sufficient supervision by coordinating bodies, incomplete anti-fraud strategies, missing elements in fraud risk assessments, a need for improvement of the *ex ante* controls aimed at preventing conflicts of interest, low participation in training activities intended to raise awareness of fraud, and deficiencies in the reporting of irregularities to OLAF for possible investigation; asks the Commission to inform Parliament about the issues identified, the recommendations addressed to the Member States and the follow-up given to resolve the issues;

72. Highlights that enhanced transparency plays a vital role in exposing fraudulent schemes and discouraging fraudulent actions; calls on new transparency initiatives and policies introduced to promote accountability;

Digitalisation and transparency to enhance the fight against fraud

73. Welcomes the ECA Review 04/2023 entitled 'Digitalising the management of EU funds', which stresses that digitalisation has the potential to make the auditing of EU funds more efficient; highlights ECA's observations that there are many variations in the degree of digitalisation of EU spending, most centralised where the Commission has direct management and more fragmented for the other management modes, such as under shared management;

74. Is aware that the efforts made by the Commission and other implementing bodies to digitalise the EU budget have to overcome many obstacles in order to enhance compatibility between the IT systems used by the many entities involved; appreciates, in this regard, the consistency of the communication to the Commission of 30 June 2022 entitled 'European Commission digital strategy – Next generation digital Commission' (C(2022)4388); points out that digitalisation has been a strategic priority of the Commission for many years; believes that streamlining the management of EU funds requires further simplification of the IT landscape and reiterates that interoperability should be mainstreamed in EU policies in order to enhance compatibility between the IT systems used by the many entities involved;

75. Highlights the necessity of enhancing the level of interoperability of data systems and the harmonisation of reporting, monitoring and auditing in the EU; reiterates, to this end, its call on the Commission to harmonise definitions in order to obtain comparable data across the EU;

76. 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); calls on the Commission to reiterate and follow up on its recommendations to the Member States which have not yet adopted NAFS to do so, and to keep the NAFS updated, taking advantage of the opportunities offered by new technologies;

77. Reiterates its strong support for the obligatory use of the single integrated IT system for data-mining and risk-scoring, Arachne, envisaged by the Financial Regulation recast, which should ensure better protection of the Union's financial interests, alongside and complementing the IT tools developed at national level by the Member States;

78. Notes that among the available options, Arachne was by far the most widely-used IT system (by 21 Member States), in support of the European Structural and Investment Funds (ESIF) and the RRF; observes with concern that many Member States used their own dedicated anti-fraud IT tools, often in conjunction with EU tools, although both types of tools were rarely interoperable and therefore hampered the detection and reporting of fraud to the Commission;

79. Emphasises that the EDES, as the EU's blacklist, has huge potential for flagging people and companies that misuse EU funds; calls for the EDES to be extended to all types of management modes, in particular to shared management; stresses that Member States' differing approaches to exclusion measures contribute to unevenness in the protection of the EU's financial interests; underlines the need to make mandatory the use of the EDES as the common exclusion system for funds managed by Member States; believes that this reinforcement would strengthen the capacity of the EU and Member States to protect the financial interests of the Union and ultimately taxpayers' money; urges Member States, in the interests of safeguarding the financial interests of the EU budget, to accept this extension without any delay;

80. Points out that consolidating, centralising and publishing the information on the recipients of EU funding provided by Member States and other implementing entities in a single database would enhance financial transparency by encompassing different forms of management modes and allowing cross-checks and exhaustive analyses; calls on the Commission to encourage the relevant stakeholders, including the national authorities, to cooperate on this aim; draws the Commission's attention to the need to protect personal data and sensitive information on beneficiaries;

81. Maintains that digitalisation and state-of-the-art IT tools at the national and EU level would improve the management, control and audit of EU funds, and could contribute to preventing irregularities and to substantially reducing bureaucracy, as digitalisation allows easier and quicker access and cross-checks, remotely, to important sets of data, preventing the need for on-the-spot checks and controls;

82. Welcomes and supports the assessment of the ECA in its 2022 Annual report calling for the deployment of the IT system for data-mining and risk-scoring Arachne to be advanced from 2028 to 2025; recalls Parliament's position calling for the system to be deployed as of 2026;

83. Notes that the digitalisation of the fight against fraud is also one of the focuses of the revision of the action plan launched in 2022 and adopted in July 2023, accompanying the Commission Anti-Fraud Strategy (CAFS) of 2019 and adjusted to the rapidly shifting economic and social scenarios and to the new challenges; is aware that Commission successfully implemented 60 out of the 63 actions of the previous plan overall and that some of these are continuous in nature and ongoing; invites the Commission to present to Parliament the underlying standards and criteria that the revised action plan has endorsed;

84. Calls for recognition of the importance of incorporating visual aids such as charts and graphs to make statistical information more accessible and easier to understand;

85. Calls for the implementation of advanced data analytics, artificial intelligence and machine learning in identifying irregularities;

The EU anti-fraud architecture and key measures in 2022

86. Welcomes 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;

87. Recalls its previous resolutions underlining that countering fraud against the EU budget can only be effective if approached holistically, covering all the stages of the anti-fraud cycle and drawing on a multitude of stakeholders, processes and actions; points out that the four stages of this cycle (prevention; detection; investigation and prosecution; recovery and sanction) require risk analyses, reporting processes and cooperation to be pursued by harmonised interventions at legislative, administrative, organisational and operational levels; recalls the observation by the ECA in its Special report on the EU's financial landscape ⁽²⁴⁾ pointing out that the complexity of the galaxy of funds and instruments complementing the EU budget brings an increasing risk of serious gaps in the system of audit and control and a lack of accountability; believes that this complexity requires an equally comprehensive and focused approach for the protection of the financial interests involved, in order to tackle irregularities and fraud which could occur by taking advantage of the overall opacity of the financial landscape; recalls that the current fragmentation of the accessible data calls for standardised measures to collect, compare and aggregate information and figures, in particular on the final recipients and beneficiaries of Union funding, for the purposes of audit and control, including investigations;

88. Points out that 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;

89. Observes that the 2022 Financing Decision allocated EUR 15.4 million to the Hercule component, EUR 9 million for the Anti-Fraud Information System (AFIS) component and about EUR 1 million for the IMS component, which resulted in awarding of grants to the relevant implementing bodies and in the financing of specialised training, databases, support for research, monitoring and analyses;

90. Points out that the IMS is now being used by 35 countries, encompassing Member States and other beneficiary countries, with around 700 reporting organisations, covering over 3 000 IMS users and several fields, including the RRF and other fields such as asylum, neighbourhood and pre-accession, in addition to the traditional areas of agriculture, cohesion and fisheries;

91. Appreciates the complementary roles of the Fiscalis, customs and customs control equipment instrument programmes and believes that the synergistic effects of the deployment of this financial support brings tangible improvements in the fields of taxation, the sharing of risk-related information and the upgrading to state-of-art customs control equipment;

92. Regrets the fact that the participation of Member States in the EPPO is not obligatory; remarks that, in 2022, only 22 Member States already participated in the EPPO, with the same five countries as in 2021 abstaining; insists that Member States which do not yet participate, must do so without delay; calls on the Commission to incentivise participation in the EPPO through positive measures;

93. Welcomes the EPPO annual report for 2022, providing the results of the first full calendar year of operational activities; observes that the EPPO processed 3 318 crime reports (compared to 2 832 received in the seven months of operational activity in 2021) and opened 865 investigations in 2022 (576 were opened in June-December 2021); underlines the freezing of EUR 359.1 million (compared to EUR 157.3 in 2021) following EPPO investigations, representing more than seven times the EPPO's budget and that, by the end of 2022, the EPPO estimated damages of EUR 14.1 billion resulting from misconduct on which it had a total of 1 117 active investigations;

94. Calls on the Commission to engage in a constructive dialogue with the EPPO, with a view to strengthening the Office's capacity to tackle the constantly increasing challenges in the anti-fraud landscape, including, where appropriate, by addressing the shortcomings identified in the EPPO Regulation ⁽²⁵⁾; stresses, at the same time, the need to ensure the fundamental principle and rules laid out in the EPPO Regulation, namely that the office must be independent and must be granted an autonomous budget in order to act in the interests of the Union as a whole and in line with the Conditionality Regulation;

95. Calls on the Commission to ensure that the efficiency and efficacy of OLAF's work in corruption and fraud detection is maintained and that, therefore, the reduction of OLAF's annual budget envisaged for full-time employees must be considered in line with the true business needs of OLAF, as reflected in its annual report;

⁽²⁴⁾ Special report 05/2023 entitled 'The EU's financial landscape – A patchwork construction requiring further simplification and accountability'.

⁽²⁵⁾ Council Regulation (EU) 2017/1939 of 12 October 2017 implementing enhanced cooperation on the establishment of the European Public Prosecutor's Office ('the EPPO') (OJ L 283, 31.10.2017, p. 1).

96. Welcomes the increased detection efforts and their results, which follow the calls from the EPPO and Parliament, indicated by a number of investigations into EU fraud initiated in the 22 participating Member States, which is higher than the historical average before the EPPO's establishment; praises, in this regard, Operation Admiral which brought to light a VAT carousel fraud perpetrated by an organised group of criminals operating in several Member States, responsible for an estimated EUR 2.2 billion fraud;

97. Praises the cooperation between OLAF and the EPPO, which is highlighted in both OLAF's and the EPPO's annual reports; understands that regular exchanges of information occur between the two offices, notably the EPPO having replied to 133 hit/no-hit requests sent by OLAF in order to avoid parallel investigations into the same facts; calls on OLAF and the EPPO to coordinate their reporting on the actions launched to make their cooperation tangible, having specific regard to the number of complementary investigations requested by OLAF (ex Article 12(f) EPPO Regulation) and the number of cases to support EPPO investigations requested by the EPPO (ex Article 12(e) EPPO Regulation);

98. Is aware that the first annual high-level review of the cooperation between the EPPO and the Commission took place in September 2022, addressing, among others, issues on mutual reporting, access to databases and the institutional status of the EPPO;

99. Is concerned by the lack of information on the administrative recovery of sums due to the Union budget, carried out by the Commission following input from the EPPO, as provided for by Article 103(2) of the EPPO Regulation, referring to the EPPO's obligation to inform the Commission without delay and without prejudice to confidentiality, and as provided for by Article 6(4)(c) of the EPPO-COM Agreement signed on 18 June 2021, referring to protective and corrective measures; asks the Commission and the EPPO to inform Parliament about the implementation of this important tool;

100. Notes that the EPPO and Europol have efficiently cooperated on various operational matters, under the aegis of the EPPO-Europol Steering Committee; understands that Europol provided support (information exchange, analytical support, expertise) on 28 cases upon the EPPO's request and that the EPPO has become part of the Secure Information Exchange Network Application (SIENA), which ensures a secure communication channel in operational cooperation;

101. Notes that, in 2022, cooperation between the relevant actors occurred in a satisfactory way, with the EPPO-Eurojust liaison teams meeting twice in 2022, with 15 ongoing EPPO cases handled at Eurojust, and the investigative division of the European Investment Bank (EIB IG/IN) making 63 referrals to OLAF, the EPPO and other agencies within the multilateral development banks and the national development agencies entrusted with inherent activities; remarks that in September 2022 around 100 EPPO prosecutors and staff participated in an online awareness-raising session about EIB and EIF activities to increase the effectiveness of the cooperation between the EPPO and IG/IN as established under the 2021 working arrangement;

102. Stresses the added value that EU bodies bring to the protection of the financial interests of the Union and the fight against fraud, especially when it comes to cross-border crime, as shown by the operational results from the EPPO and OLAF also in 2022; reiterates its call to ensure that all relevant EU actors involved in the fight against fraud have adequate resources and, in this regard, reminds the Commission and the Council that every euro spent on investigation and anti-fraud actions returns to the EU budget;

103. Observes that in 2022 the exclusion proceedings launched by the EIB following IG/IN investigations resulted in the exclusion of four economic operators from participating in any EIB-financed projects or activities; calls on the Commission to explore the possibility of making more uniform the exclusion criteria used by the EIB and the EIF in respect of those used in the EDES, considering that the Financial and Administrative Framework Agreements with the EIB and the EIF cover only five of the seven EDES exclusion situations;

104. Reiterates that Member States' ineffective or untimely cooperation or non-cooperation with the EPPO and OLAF constitute grounds for action under the Conditionality Regulation; calls on the EPPO and OLAF to therefore report each case where Member States have failed to comply with their obligations to inform, to assist, to take appropriate action and precautionary measures and to ensure an appropriate and timely follow-up of reports and recommendations;

105. Understands that the overall level of implementation of the Commission's recommendations issued in the PIF Report 2021 across the Member States is considered satisfactory as regards the integration of dedicated IT anti-fraud tools into their fight against fraud, the strengthening of risk analysis and, in general, the development of IT systems both on the revenue and expenditure sides;

106. Highlights the significant differences between Member States that can still be seen in the detection, reporting and follow-up of suspected fraud; encourages, therefore, the Member States to take a proactive approach to protecting the Union's financial interests, to enhance the exchange of information between their national authorities and with EU bodies and agencies, also in order to identify and address emerging risks and fraud trends in a timely manner;

107. Endorses the Commission's intention to launch a monitoring exercise on the state of play of the Anti-Fraud Coordination Services (AFCOS) established in the Member States; recalls that the definition of AFCOS' structure, role, responsibilities and mandate should be better clarified to guarantee homogeneous and harmonised situations across the Union, thereby facilitating their cooperation and exchange of information; asks the Commission once again to update the AFCOS guidelines initially formulated in 2015, which are no longer adequate to effectively assist the national authorities in developing a well-structured coordination service; asks the Commission, furthermore, to report about the work in progress in this regard and the results of the monitoring exercise to the discharge authority;

108. Remarks that the NAFS need to be adopted or updated by as many Member States as possible, and reiterates that the need for such revisions stems from the new anti-fraud landscape, with the EPPO now fully operational, and from the opportunity to identify new significant risks in the increasingly complex fraud landscape;

109. Reiterates its appreciation for the Commission's encouragement to Member States to adopt NAFS, which has so far resulted in an increase in the number of NAFS adopted, whereby 15 Member States had adopted NAFS by the end of 2022, nine of which were cross-cutting and therefore covered the EU's financial interests fully;

110. Notes 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; notes that five Member States (Belgium, Spain, Luxembourg, the Netherlands and Romania) indicated that they were in the process of establishing one; urges the Member States to adopt a NAFS to show that they take the protection of EU funds seriously;

111. Believes that Member States would benefit from a periodic evaluation of their anti-fraud frameworks, with EU guidance as appropriate, oriented towards establishing their effectiveness, identifying best practices and reviewing their anti-fraud strategies to address any emerging risks; calls on the Commission to encourage Member States to run independent or peer reviews of the anti-fraud frameworks to enhance consistency and high standards;

112. Maintains that the Conditionality Regulation is a permanent instrument which goes beyond the limits of a given multiannual financial framework and is to be applied horizontally, as a requirement for enforcing sound financial management principles, in general, and for the efficient and effective management of EU resources, in particular, and that it is a prerequisite for accessing all EU funds;

113. Takes note of the Council decision of 16 December 2022 to suspend the disbursement of EUR 6.3 billion of EU funds to Hungary; 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; regrets that thus far the Hungarian Government has shown little willingness to fulfil the requirements of the conditionality mechanism; reiterates, however, its opinion that the 17 measures alone, as negotiated by the Commission and the Hungarian Government, are not sufficient to address the existing systemic risk to the EU's financial interests and regrets that the Commission did not request sufficient substantial changes and safeguards to restore the independence of the judiciary and reduce the level of corruption; is very concerned about the media reports affirming that the Commission is planning to lift the suspension measures in Hungary in exchange for the government's endorsement of aid for Ukraine; believes that the Commission should never give in to blackmail, particularly when it endangers the protection of the EU's financial interests;

114. Regrets that the Commission is not transparent enough about the relevant developments; calls, therefore, on the Commission to inform Parliament and the Council swiftly and regularly of the ongoing negotiations and reminds the Commission, in particular, of its legal obligations set out in Article 25(2) of the RRF Regulation and Article 8 of the Conditionality Regulation;

115. Is concerned by the findings of the Third Rule of Law Report ⁽²⁶⁾ on the critical situation in Poland, in particular as regards the serious shortcomings in the judiciary ⁽²⁷⁾ and the media sector; recalls that Poland's non-compliance with the rulings of the CJEU has resulted in the payment of EUR 360 million in fines since 2021 and strongly encourages the Commission to release funds from the RRF only once all the milestones relating to the rule of law have been fulfilled in their entirety;

116. Calls on the Commission to update the fraud reporting system for funds spent in non-EU countries; notes that the new system should take into account the specific issues that the EU faces when spending money outside EU territory;

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

117. Believes that the proposal for the establishment of a horizontal common foreign and security policy sanction framework is complementary to the existing tools and internal and external policy actions against corruption, already endorsed in the enlargement process or within the Eastern Partnership; takes the view that a stronger engagement in international forums such as United Nations Convention Against Corruption (UNCAC) and Group of States Against Corruption (GRECO) will help to promote good governance and the rule of law as one of the major priorities of the enlargement process;

118. Reiterates that although the EU currently stands as an observer within GRECO, it is strongly advised that it become a fully operating member, therefore i) participating in the monitoring of the implementation of widely recognised international law and standards; ii) horizontally communicating with other GRECO members on anti-fraud policies and tools; iii) sharing experiences at international level to help with the recognition of potential deficiencies of the EU's internal mechanisms to identify corruption; and iv) optimally combat fraud by the timely activation of prevention and detection measures; requests the Council to provide a clear position on the EU joining GRECO, clarifying if there is any specific opposition to this and, if so, by which Member State;

119. Remarks that from 2021 to 2022, both the number of non-fraudulent irregularities and the financial amounts involved experienced exceptional increases; notes that 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; underlines that about 10 % of the irregularities were reported as fraudulent and that this percentage, which changes over time, increased significantly in 2020 (17 %), peaking in 2021 at 20 %; calls on the Commission 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;

120. Believes that 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; calls on the Commission to put appropriate measures in place, including the carrying out of more thorough checks, to ensure that EU funds sent to neighbouring countries end up benefiting those that are most in need;

121. Underlines that in the context of Russia's war of aggression against Ukraine, it is envisaged that the EU budget will contribute significantly to the proposals for longer-term structural solutions to Ukraine's funding needs; stresses, in this context, the need to protect the rule of law and the financial interests of the Union and to prevent, detect and correct fraud, corruption, conflicts of interest and irregularities in the use of Union funds in Ukraine, which should be based on the principles of transparency and accountability; considers that any related financing instruments should contain stringent provisions and safeguards in order to attain these objectives;

122. Highlights the fact that cooperation with international partners is crucial to protect EU funds spent outside Europe and the revenue side of the EU budget; welcomes, therefore, the working arrangements that the EPPO concluded in 2022, with the Prosecutor General's Office of Ukraine, the Prosecutor General's Office of the Republic of Albania, the Prosecutor General's Office of the Republic of Moldova, the Supreme State Prosecutor's Office of Montenegro, the Prosecution Service of Georgia and the State Public Prosecutor's Office of the Republic of North Macedonia and the Memorandum of Understanding (MoU) and Working Arrangement on Cooperation signed with the United States Department of Justice and Department of Homeland Security;

⁽²⁶⁾ Commission communication of 13 July 2022 entitled '2022 Rule of Law Report' (COM(2022)0500).

⁽²⁷⁾ On the independence of the National Council for the Judiciary, concerns regarding the functioning of the prosecution service persist, with the offices of Minister of Justice and Prosecutor-General occupied by the same person; Polish courts have also pointed to concerns that the practice of seconding prosecutors can be considered as a form of demotion and discrimination, and that disciplinary proceedings could be used to curtail judicial independence, as Disciplinary Chamber of the Supreme Court was still issuing rulings.

123. Recommends 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; calls for greater priority to be given to the fight against corruption in pre-accession negotiations, with a focus on capacity building, such as via specialised anti-corruption bodies; calls on the Commission to send clear signals to candidate countries that a backlash against rule of law standards will jeopardise or delay accession to the EU; regrets the fact that, according to ECA Special report 01/2022 ⁽²⁸⁾, EUR 700 million in financial support for the improvement of the rule of law in the Western Balkans provided by the EU between 2014 and 2020 had little impact on fundamental reforms;

124. Calls for international collaboration with international organisations and neighbouring countries in preventing cross-border fraud; reiterates the importance of the exchange of best practices in this context;

125. Reaffirms its strong belief that only by strengthening the EU anti-fraud architecture can the protection of the EU's financial interests be effectively and efficiently pursued and enhanced, by encouraging interoperability and adjustment to a unified anti-fraud strategy framework for the Member States within the EU opting for more inflows in terms of quantitative and qualitative data analysis, so as to overcome the inherent limits of the national systems which are not sufficient to counter the increasingly transnational attacks against the Union's financial interests;

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126. Instructs its President to forward this resolution to the Council and the Commission.

⁽²⁸⁾ Special report 01/2022 entitled 'EU support for the rule of law in the Western Balkans: despite efforts, fundamental problems persist'.