



TEXTS ADOPTED

P9_TA(2023)0018

Protection of the EU's financial interests - combating fraud - annual report 2021

European Parliament resolution of 19 January 2023 on the protection of the European Union's financial interests - combating fraud - annual report 2021 (2022/2152(INI))

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 23 September 2022 entitled '33rd Annual Report on the protection of the European Union's financial interests and the fight against fraud - 2021' (COM(2022)0482) (PIF Report 2021),
- having regard to the European Anti-Fraud Office (OLAF) Report 2021 and the 2021 Annual Report of the OLAF Supervisory Committee,
- having regard to the OLAF Supervisory Committee Opinions No 1/2021 of 4 February 2021 entitled 'OLAF's recommendations not followed by the relevant authorities', No 2/2021 of 31 May 2021 on the 'Working arrangements between OLAF and EPPO', No 4/2021 of 18 October 2021 entitled 'OLAF's Preliminary Draft Budget for 2022' and No 5/2021 of 17 December 2021 entitled 'Analysis of OLAF's investigations lasting more than 36 months in 2019',
- having regard to the European Public Prosecutor's Office (EPPO) 2021 Annual Report published in March 2022,
- having regard to its resolution of 15 December 2022 on suspicions of corruption from Qatar and the broader need for transparency and accountability in the EU institutions¹,

¹ Texts adopted, P9_TA(2022)0448.

- having regard to Regulation (EU, Euratom) 2020/2223 of 23 December 2020 amending Regulation (EU, Euratom) No 883/2013, as regards cooperation with the European Public Prosecutor's Office and the effectiveness of the European Anti-Fraud Office investigations¹ (OLAF Regulation),
- 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 law²,
- having regard to the Commission report of September 2021 entitled 'VAT Gap Report 2021',
- 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 law³ (PIF Directive),
- having regard to the Commission report of 6 September 2021 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(2021)0536),
- having regard to Regulation (EU) 2017/1939 of 12 October 2017 implementing enhanced cooperation on the establishment of the European Public Prosecutor's Office⁴ (EPPO Regulation),
- having regard to Decision (EU) 2019/1798 of the European Parliament and of the Council of 23 October 2019 appointing the European Chief Prosecutor of the European Public Prosecutor's Office⁵,
- having regard to the judgments of the Court of Justice of the European Union (CJEU) of 16 February 2022 in Cases C-156/21 and C-157/21 and the CJEU's conclusions that the rule-of-law conditionality mechanism is in line with EU law, which confirmed the appropriateness of the legal basis and the compatibility of the general regime of conditionality with Article 7 of the Treaty on European Union (TEU) and the principle of legal certainty,
- having regard to the Commission proposal of 18 September 2022 for a Council implementing decision on measures for the protection of

¹ OJ L 437, 28.12.2020, p. 49.

² OJ L 305, 26.11.2019, p. 17.

³ OJ L 198, 28.7.2017, p. 29.

⁴ OJ L 283, 31.10.2017, p. 1.

⁵ OJ L 274, 28.10.2019, p. 1.

the Union budget against breaches of the principles of the rule of law in Hungary (COM(2022)0485),

- 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 budget¹ (the Conditionality Regulation),
- having regard to the Commission communication of 2 March 2022 entitled ‘Guidelines on the application of the Regulation (EU, Euratom) 2020/2092 on a general regime of conditionality for the protection of the Union budget’²,
- having regard to the Commission communication of 29 April 2019 entitled ‘Commission Anti-Fraud Strategy: enhanced action to protect the EU budget’ (COM(2019)0196),
- 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 Nations Conventions against Corruption (UNCAC) (COM(2020)0793),
- 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 250/2014³,
- 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 rights⁴,
- having regard to the Commission communication of 14 April 2021 on the EU Strategy to tackle Organised Crime 2021-2025 (COM(2021)0170),
- having regard to the judgment of the CJEU of 1 September 2021 in Case T-517/19, *Homoki v Commission*⁵,
- having regard to its resolution of 10 June 2021 on the rule of law situation in the European Union and the application of the Conditionality Regulation (EU, Euratom) 2020/2092⁶,

¹ OJ L 433 I, 22.12.2020, p. 1.

² OJ C 123, 18.3.2022, p. 12.

³ OJ L 172, 17.5.2021, p. 110.

⁴ OJ C 342, 6.9.2022, p. 295.

⁵ Judgment of 1 September 2021, *Andrea Homoki v European Commission*, T-517/19, ECLI: EU:T:2021:529.

⁶ OJ C 67, 8.2.2022, p. 86.

- having regard to its resolution of 7 July 2022 on the protection of the European Union's financial interests – combating fraud – annual report 2020¹,
 - having regard to Rule 54 of its Rules of Procedure,
 - having regard to the report of the Committee on Budgetary Control (A9-0299/2022),
- A. whereas Member State authorities manage more than 85 % of EU expenditure, including the Recovery and Resilience Facility (RRF), and collect the EU's traditional own resources (TOR) while the Commission oversees both of these areas, sets standards, verifies compliance and reports to both Parliament and the Council on the measures taken to counter fraud and other illegal activities affecting the EU's financial interests, pursuant to Article 325(5) TFEU;
 - 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 trust in Parliament's integrity and the rule of law is paramount for the functioning of European democracy; whereas it is key to ensure that democratic processes are not captured by private and external interests and that citizens' rights are fully respected;
 - D. whereas the annual PIF Report is based on information provided by the Member States, including data on irregularities and fraud detected, which is analysed to identify the areas most at risk, and whereas it describes the countermeasures adopted and makes it possible to implement more targeted action at both EU and national levels;
 - E. whereas the general regime of conditionality for the protection of the Union budget has been applicable and enforceable since 1 January 2021; whereas all breaches in a Member State of the principles of the rule of law, such as fraud, that affect or seriously risk affecting the sound financial management of the EU budget and the financial interests of the EU in a sufficiently direct way since that date are therefore subject to that regime;
 - F. whereas the Conditionality Regulation allows the EU to take measures – for example, the suspension of payments or the application of financial corrections – to protect the budget from fraud and shield the rule of law;
 - G. whereas the CJEU has dismissed claims by two Member States, ruling that the Conditionality Regulation falls within the powers

¹ Texts adopted, P9_TA(2022)0300.

conferred by the financial rules for the implementation of the EU budget;

- H. whereas the Commission should apply the same criteria, based on respect for the rule of law, with regard to funds provided to non-EU countries under the EU budget, and adopt an uncompromising stance to stop any ongoing financial transactions to such countries in cases where the latter exert undue influence on EU institutions or lawmakers;
- I. whereas in 2021 the EU completed the adoption of the 2021-2027 spending programmes, including the Union Anti-Fraud Programme, which supports the fight against fraud by providing grants for specific initiatives and enabling the financing of dedicated IT platforms and tools to facilitate the exchange of information between the Member States and the EU;
- J. whereas the Union and the Member States share responsibility for protecting the EU's financial interests; whereas, regarding the unprecedented deployment of funds under the RRF, they also share responsibility for regulating and implementing the national recovery and resilience plans (RRPs); whereas the role of national authorities in ensuring an adequate level of protection of the EU's financial interests has increased significantly as a result;
- K. whereas the implementation of the RRF will increase the pressure on European and national administrations in the coming years, and it coincides with the 2021-2027 spending programmes; whereas the Member States will need to master different management modes linked to the implementation of the various funds and the Commission will need to strengthen its monitoring capacity, given that it is currently only capable of monitoring a fraction of all expenditure;
- L. whereas the Commission has made efforts to support national authorities on the design and assessment of RRs, paying particular attention to the provisions concerning measures to protect RRF resources from fraud, corruption, conflicts of interest and double funding;
- M. 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 Facility¹ (the RRF Regulation) contains provisions concerning the protection of the EU's financial interests, and the RRF Regulation ensures that the Commission, OLAF, the European Court of Auditors (ECA) and the EPPO are able to exercise their mandates and that national authorities put in place effective anti-fraud measures taking into account any risk identified;

¹ OJ L 57, 18.2.2021, p. 17.

- N. whereas the diversity of legal and administrative systems in the Member States is a disadvantage and needs to be adequately addressed in order to create more unified, interoperable and comparable administrative and reporting systems in the EU, with a view to effectively preventing and overcoming irregularities and combating fraud and corruption;
- O. whereas deficiencies in the validity and comparability of data and reporting technologies, including as a result of the varying levels of digitalisation in the Member States, continue to severely undermine the quality and reliability of the information available;
- P. whereas the Arachne tool is voluntary and, although it is already widely used in cohesion policy and is being introduced for agricultural spending, making it mandatory – as repeatedly requested by Parliament – would be a major step forward, according to the Commission;
- Q. whereas value added tax (VAT) is an important revenue source for national budgets and whereas VAT-based own resources account for around 10 % of own-resource revenue (12,3 % of total EU budget revenue in 2020 and 11 % in 2019);
- R. whereas the Commission's action plan for fair and simple taxation supporting the recovery strategy (COM(2020)0312) contributes to the EU's strategy for simplifying and adapting taxation to the digitalisation of the economy and the green transition and identifies the fight against VAT fraud as a priority;
- S. whereas on 1 June 2021 the EPPO finally started its operational activities as the final pillar of the anti-fraud architecture designed by the Union to enhance the protection of its financial interests; whereas the workload of the EPPO is expected to increase;
- T. whereas the EPPO, despite minimal resources and extreme time pressure, has already demonstrated its capabilities and cost-effectiveness; whereas the EPPO's budget for 2021 was less than EUR 45 million, while EPPO judges ordered the seizure of more than EUR 250 million in the organisation's first year of operations, illustrating that the EPPO can deliver a massive and immediate return on investment;
- U. whereas the Commission's knowledge of the extent, nature and causes of fraud is somewhat limited and many potential frauds are not reported through the irregularity management system; whereas corruption undermines citizens' trust in the EU and jeopardises the Union's financial interests and the EU economy as a whole, as well as posing a serious threat to democracy and the rule of law in the EU;

- V. whereas, according to Article 83 TFEU, corruption is among the particularly serious crimes that have a cross-border dimension and affect all Member States to varying degrees; whereas criminal organisations are particularly active in the interception of European funds and are able to exploit the heterogeneity of legal and administrative systems in Member States to penetrate their economic, financial, business, social and political fabric, thereby harming economic freedom and free competition;
 - W. whereas the unprecedented increase in EU spending under the multiannual financial framework (MFF) 2021-2027 and the NextGenerationEU (NGEU) recovery plan poses significant risks, including the potential for misuse of funds by organised criminals;
 - X. whereas cooperation with international partners is crucial to protect EU funds spent outside Europe and the revenue side of the EU budget; whereas OLAF signed administrative cooperation arrangements with two international partner authorities in 2021, the Prosecutor General's Office of Ukraine and the World Customs Organization (WCO); whereas OLAF organised online events in 2021 to establish new operational contacts with investigative authorities in non-EU countries and encourage the reporting of fraud and irregularities through EU delegations around the world;
1. Welcomes the 33rd Annual Report on the protection of the European Union's financial interests and the fight against fraud – 2021;
 2. Is aware that 2021 was a challenging year in which the impact of the COVID-19 pandemic required the adaptation of control strategies and a focus on prevention through specific mitigating measures and targeted actions to detect irregularities and fraud;
 3. Recalls that, on 19 February 2021, the RRF, which is the main pillar of the NGEU, entered into force, financed by the Commission's borrowing on the capital markets and aiming at financing reforms and investments in Member States retroactively from the start of the pandemic in February 2020;
 4. Underlines the fact that in 2021 operations were eligible for EU financing under the MFF 2014-2020 (which will end in 2024), under the MFF 2021-2027 and within the NGEU recovery package;
 5. Highlights the fact that the new MFF 2021-2027, the last programmes for which were adopted in 2021, coupled with the NGEU recovery plan, provides the EU with EUR 1,8 trillion, representing an unprecedented volume of resources; highlights the fact that Parliament (for the purpose of ensuring discharge), OLAF, the ECA, the Commission itself and, where applicable, the EPPO may access relevant data and verify the use of funds to complement and strengthen the auditing measures laid down by the regulations in force;

6. Notes that Parliament and its Budgetary Control Committee should have a strong role in the RRF's governance, including through regular, structured dialogues where the Commission is invited to discuss the implementation of the RRF, with the Commission being required to take into account the views arising therefrom;
7. Stresses that a correspondingly high level of attention and control is also needed and expected in order to guarantee that these funds can make the best possible contribution to the common goals of the Union; recalls the increased pressure on the authorities managing EU funds, the increased volume of resources deployed and the increased risks related to their management (following the introduction, in the context of the pandemic, of simplified and urgent procedures, which are prone to abuse);
8. Takes the view that the enhancement of transparency, the digitalisation of the fight against fraud and the continuous strengthening and development of fraud risk assessment and fraud risk management should be pursued in parallel with a sound implementation of the EU anti-fraud architecture;
9. Calls for enhanced levels of digitalisation, interoperability of data systems and harmonisation of reporting, monitoring and auditing in the EU and, to this end, reiterates its call on the Commission to harmonise definitions so that comparable data can be obtained across the EU;
10. Calls on the Commission to submit a legislative proposal on mutual administrative assistance in those areas of EU fund spending that do not so far provide for this practice; encourages the Commission to develop a system for the exchange of information between competent authorities to enable cross-checking of accounting records concerning transactions between two or more Member States in order to avoid transnational fraud within the European Structural and Investment Funds (ESIF), so as to ensure a cross-cutting approach to the protection of the financial interests of the EU;
11. Expresses concern about the quite late publication of the annual PIF Report, since the report for year n is only published in September of year $n+1$; understands that the main reason for this is the fact that the Member States submit their information quite late; invites the Commission to be more proactive in requesting that the Member States submit their data earlier so that its annual report can be finalised sooner, which would allow the Parliament resolution on the report to be adopted earlier, ideally within year $n+1$;
12. Takes the view that, especially in light of the entry into force of the new OLAF Regulation, the RRF Regulation and the Conditionality Regulation, as well as the beginning of the operational activities of

the EPPO, which completes the EU anti-fraud architecture, it is necessary to make the annual PIF Report more holistic in order to provide a comprehensive overview of the synergies between all relevant actors, identify best practice and address shortcomings; reiterates, therefore, its call on the Commission to explore new avenues to that end;

Fraudulent and non-fraudulent irregularities detected

13. Notes that the number of cases of fraud and irregularities reported by the competent EU and national authorities – 11 218 in total – remained stable in 2021 relative to 2020 (when there were 11 755 cases overall); points out that the value involved in these irregularities rose significantly, more than doubling (+121 %) from EUR 1,46 billion in 2020 to EUR 3,24 billion in 2021, due to a small number of large cases in certain Member States; expresses its grave concern about the increased magnitude of fraud and irregularities;
14. Acknowledges that the number of irregularities detected that are reported as fraudulent is an indication of the level of detection and of the capacity to intercept potential fraud by the Member States and Union bodies, and is not a direct indicator of the level of fraud affecting the Union budget or a specific Member State; understands that the detection and reporting of an irregularity implies that corrective measures have been taken in order to protect the Union's financial interests and that, whenever relevant, criminal proceedings have been launched;
15. Observes with concern that the great majority of reported irregularities (fraudulent and non-fraudulent) are detected during ex post controls and that this results in a significant time lag between the moment in which irregularities are committed and when they are reported to the Commission, with this lag averaging from two and a half to three years; is also concerned that some Member States do not report any irregularities, which might indicate insufficient detection efforts;
16. Is aware that much EU expenditure follows multiannual cycles, with implementation increasing progressively towards programme closure, such that peaks in the reporting of irregularities usually appear in year n+2 or n+3 after the final year of the cycle; points out, therefore, that a year-to-year comparison of the reporting of irregularities does not offer a reliable analysis of the real-time situation, while a multiannual perspective can mitigate distortions; welcomes the approach adopted to mitigate this effect whereby the results from the reported year are compared with the five-year average for TOR and with the average for the relevant programming period for expenditure, with the exception of annual spending for direct aid to farmers and market support; stresses, however, that the differences in the regulatory frameworks governing different

programming periods can make comparison sterile and nullify the analysis efforts;

17. Calls on the Commission to increasingly focus on more severe issues, such as intentional manipulations of tender criteria to favour the applications of certain bidders, corruption in relation to bidder selection, and conflicts of interest in general, instead of minor formal errors;

Major threats

18. Is concerned by the increasing threat to the EU budget posed by organised crime, including mafia-type organisations and oligarchic structures; is aware that organised crime groups try to infiltrate the legal economy and perpetrate administrative irregularities with criminal methods that are more harmful and more difficult to investigate and remedy; points out that their *modi operandi* increasingly include making use of highly skilled intermediaries who are able to carry out extremely sophisticated, hard-to-detect EU fund fraud by making money disappear through complex financial architectures, sometimes with the help of tax havens, making it particularly difficult to trace and recover funds;
19. Reiterates its concern that the prevalence of oligarchic groups has reached an unprecedented magnitude in recent years and that oligarchic systems often go hand in hand with widespread corruption, tight control over the media and an ability to influence the judiciary and prosecution services in such a way as to conceal possible criminal activities and avoid prosecution;
20. Recalls that fraud affecting European funds increasingly has transnational dimensions, that criminal organisations take advantage of the heterogeneity of legal systems to perpetrate fraudulent activities against the financial interests of Member States, and that the EU, within the limits set by the TFEU, has an obligation to intervene in anti-corruption policies and is obliged to counter corruption with measures to combat and prevent it; calls, therefore, on the Commission to do everything possible to align the Member States' criminal laws;
21. Recalls that the lack of efficient legislation and action to combat organised crime in many Member States provides fertile ground for the growing number of 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 of 24 October 2008 on the fight against organised crime¹ and its position on the need to establish a new common definition of organised crime, which is in keeping with the latest developments and takes into consideration the use of violence, corruption or

¹ OJ L 300, 11.11.2008, p. 42.

intimidation by criminal groups to gain control over economic activities or public procurement or affect the democratic process; calls on the Commission to promote the good practices of those countries in the EU that have an advanced regulatory framework for fighting organised crime;

22. Stresses that timely cooperation between national law enforcement authorities, as well as between such authorities and the relevant EU agencies and bodies, is a key component of an effective response to transnational crime to protect the EU's financial interests; advocates, as part of this cooperation and response, efforts to advance common policies combating mafia-related criminality and to follow the example of the most diligent and experienced countries in this area;
23. Stresses that corruption, especially high-level corruption, including in EU institutions, is a particularly serious crime with the potential to extend across borders, whose impact affects the Union's financial interests and the EU economy as a whole, representing a serious threat to democracy, fundamental rights and the rule of law across Europe, and undermining citizens' trust in democratic institutions in the EU and in the Member States;
24. Is appalled that at least two non-EU countries were able to perpetrate high-level acts of corruption and exert undue influence on MEPs, which led to criminal investigations by the Belgian authorities in December 2022; stresses that such dealings threaten the principle of citizens' democratic representation in EU decision-making and undermine citizens' trust in EU institutions; demands in this regard that the Commission present a draft interinstitutional agreement as soon as possible for the establishment of an EU ethics body with the necessary independence and the right to conduct its own investigations, as demanded by Parliament since September 2021, in order to overcome the weaknesses of the current system;
25. Considers that a revision of the Staff Regulations, and especially Article 22c thereof, is necessary in order to align it with Directive (EU) 2019/1937 on the protection of persons who report breaches of Union law¹ (the 'Whistleblower Directive'); calls on the Bureau, in the interim, to immediately revise Parliament's Internal Rules Implementing Article 22c of the Staff Regulations to bring them into line with the protections provided for in the Whistleblower Directive;
26. Calls on the Commission to produce an annual report on corruption, in a similar vein to the existing report on fraud, in order to provide an in-depth analysis of the approaches, procedures and tools used by the Member States in their fight against corruption and to help to

¹ 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 (OJ L 305, 26.11.2019, p. 17).

assess which areas are most at risk, thereby making it possible to implement more targeted action at both EU and national levels;

27. Emphasises the role of the EPPO, the EU Agency for Criminal Justice Cooperation (Eurojust), Europol and OLAF in the fight against corruption; calls for the capacities of and cooperation between the EPPO and OLAF to be strengthened further; calls for common anti-corruption rules applicable to MEPs and staff of EU bodies;
28. Highlights the fact that in order to effectively fight corruption and protect the financial interests of the Union, the Commission and other EU institutions and bodies should adopt a consistent approach to transparency, incompatibilities, illegal lobbying, revolving-door situations and conflicts of interest, while also strengthening internal control mechanisms; calls for the EU institutions to urgently adopt measures to introduce the practice of minimum 'cooling-off periods' for senior EU officials and former MEPs, in order to avoid the phenomenon of revolving doors;
29. Recalls that the weakening independence of the institutions responsible for monitoring and controlling finances in certain Member States seriously harms the Union's financial interests and represents a threat to the rule of law;
30. Believes that the enhanced and consistent level of protection for journalists and whistleblowers across the Union helps to detect corruption and counter the spread of a subculture of impunity, silence and conspiracy, and that more efforts should be made in this vein; stresses the important role played by the media and investigative journalists in the fight against corruption;
31. Is of the opinion that offshore companies and organisations that involve offshore companies and organisations in their ownership structures should be excluded from the use of EU funds;

Revenue

32. Observes that, for TOR and compared to the five-year average, in 2021 the number of irregularities remained stable while the amounts affected increased by 32 % for fraudulent irregularities and 13 % for non-fraudulent irregularities;
33. Notes that inspections by anti-fraud services and post-release controls were the most successful detection tools for fraudulent and non-fraudulent irregularities, respectively, and that the most frequent modi operandi involved undervaluation, incorrect origin, misdescription of goods and smuggling;
34. Remarks that China remained the country of origin for most goods affected by irregularities; stresses that a number of the cases investigated, which involved products sent from China, are

emblematic of the challenges posed by China's Belt and Road Initiative; is concerned by the recurrence of cases of absorption and circumvention of trade defence measures and by the difficulty in detecting them; calls on the Commission to adopt countermeasures and deploy them intensively to address unfair trade;

35. Calls for the EU and the Member States to join forces in tackling missing trader intra-community VAT fraud, which, according to Europol, costs EUR 50 billion annually in tax losses or up to 27 % of the annual EU budget; believes that this measure would significantly increase the resources available for EU policies and reduce the annual contributions of the Member States to the EU budget;
36. Stresses that the VAT gap is due to several factors, which may differ in each Member State, such as a lack of resources, limited digital efficiency in tax administrations, or legislative loopholes affecting the effectiveness of control measures deployed to counter tax evasion and tax avoidance; reiterates its call on the Member States to strengthen administrative cooperation, based on the model of the cooperation between members of Eurofisc, and the multilateral warning system for combating VAT fraud, with a view to rapidly detecting carousel-type fraud;
37. Highlights the fact that the EPPO has the authority to investigate serious offences against the common VAT system provided that they are associated with the territory of two or more Member States and involve a total loss of at least EUR 10 million, and that, acting as a single, transnational prosecution office, it brings unprecedented efficiency to the fight against VAT fraud; notes in particular that in 2021, the EPPO investigated 91 such cases involving estimated losses of EUR 2,5 billion; welcomes the Commission's second report, published on 16 September 2022, on the implementation of the PIF Directive (COM(2022)0466), which also focuses on the appropriateness of the EUR 10 million VAT threshold;

Expenditure

38. Remarks that, according to the PIF Report 2021, the level of controls and audits on expenditure remained high, despite the flexibility introduced to address the COVID-19 pandemic crisis, and that the measures put in place to mitigate the risks arising from the pandemic-related constraints on audits and controls were robust and effective;
39. Asks the Commission to publish audit reports and findings before the end of the implementation period, which can take several years; believes that the public has the right to be aware of the actions that Member States are required to take to protect the EU budget;
40. Observes that for agriculture, the analysis in the PIF Report 2021 confirms a very low incidence of reported fraud in proportion to

disbursements for direct payments, with the highest level observed for market measures in the fruit and vegetable sector and related to the promotion of agricultural products; notes, however, the progressive increase in fraudulent irregularities in rural development related to the 2014-2020 programming period;

41. Underlines the need for a strict application of the new social conditionality mechanism introduced under the latest common agricultural policy reform, linking subsidies to work and employment standards; recalls the vital importance of this new mechanism for the protection of the EU's financial interests, and requests that adequate measures in this respect be put in place by both the Member States and the Commission;
42. Notes that for the ESIF implementing cohesion policy, the number of fraudulent irregularities reported for the 2014-2020 programming period remained in line with the number reported for the 2007-2013 programming period, while there was a fall in the number of non-fraudulent irregularities; remarks with concern that the financial amounts involved in the fraudulent irregularities linked to the cohesion policy in 2021, compared to the five-year average for 2017 to 2021, increased by 186 %;
43. Remarks with concern that in the case of the ESIF, most fraudulent irregularities concerning ethics and integrity were related to conflicts of interest and stresses the importance of the Commission's urging all Member States to ensure that they have stringent rules against conflicts of interest;
44. Calls on the Commission to urgently ensure the implementation of Article 61 of Regulation (EU, Euratom) 2018/1046¹ (Financial Regulation) on conflicts of interest, which prohibits any persons or national authorities involved in budget implementation from taking any action that may bring their own interests into conflict with those of the Union; considers it necessary for the Commission to evaluate the practical implications of the provisions under Article 61 and to consider a possible way forward;
45. Observes that, in ESIF matters, infringements of public procurement rules were the most frequently reported non-fraudulent irregularities, but only in 4 % of these cases was fraud detected; believes that enhanced transparency in public procurement would

¹ Regulation (EU, Euratom) 2018/1046 of the European Parliament and of the Council of 18 July 2018 on the financial rules applicable to the general budget of the Union, amending Regulations (EU) No 1296/2013, (EU) No 1301/2013, (EU) No 1303/2013, (EU) No 1304/2013, (EU) No 1309/2013, (EU) No 1316/2013, (EU) No 223/2014, (EU) No 283/2014, and Decision No 541/2014/EU and repealing Regulation (EU, Euratom) No 966/2012 (OJ L 193, 30.7.2018, p. 1).

ensure sounder management of resources; takes the view that reducing single bids by shining a spotlight on them through ex post controls, encouraging the adoption of electronic public procurement systems, and providing training on public procurement for micro, small and medium-sized enterprises would help boost participation and facilitate public scrutiny and controls, increase competition in public contracts and allow a more efficient use of EU funds in public procurement, while reducing the risk of fraud and irregularities;

46. Observes that the analysis of irregularities highlights risks in relation to the green transition for investments in energy efficiency, the provision of drinking water, waste management, renewable energy (particularly solar power) and risk prevention; notes that the risks linked to the digital transition relate to services and applications for small and medium-sized enterprises, in terms of the number of irregularities, and services and applications for e-government, in terms of the financial amounts involved;
47. Calls on all Member States to maintain a high level of checks and monitoring on emergency spending and, in the case of ex post controls conducted for urgent procedures, to assess emergency procurement on a case-by-case basis; calls on the Member States to finally complete the transition to e-procurement processes;
48. Observes that, in the case of direct management, the number of fraudulent irregularities detected has fallen since 2016 and that, despite the marginal increase in 2021, they remained stable over the preceding four years, while non-fraudulent irregularities continued to decrease, with 2021 being the year with the lowest figures in terms of both the number of cases and the amounts concerned; notes with appreciation that recovery remains at positive levels;
49. Recalls that transparency has a key role in the management of public funds, both as a deterrent and to build trust among citizens; invites the Commission and the Member States to step up their efforts to strengthen transparency in the use of funds, including concerning information on final beneficiaries;
50. Points out that risk analysis is still making a marginal contribution to detecting fraud; takes note of the significant and growing role of information from civil society (including information published in the media) in this area; stresses the importance of protecting these valuable sources of information, who often face threats and even risk their lives; calls for the Commission to propose legislation as soon as possible against strategic lawsuits against public participation (SLAPPS), which are often used to silence people who report fraud and irregularities, as previously requested by Parliament in its resolution of 11 November 2021 on strengthening democracy and media freedom and pluralism in the EU: the undue use of actions

under civil and criminal law to silence journalists, NGOs and civil society¹;

51. Believes that integrity pacts allow increased transparency, accountability and good governance by fostering civil society-supported monitoring in public contracting; calls on the Commission to encourage the use of and promote this tool in the 2021-2027 programmes currently under design and assessment by providing support and guidance to Member States so that they can gradually mainstream them in these programmes;
52. Notes that despite the reported figure, the proportion of cases of suspected fraud that have not led to a conviction remains high, while the share of cases in which fraud is established is low, suggesting the need to invest more in investigating and prosecuting such cases; notes that the average indictment rate based on OLAF recommendations to Member States decreased to only 35 % for the period between 2017 and 2021; asks OLAF and the Commission to systematically follow up with Member States to ascertain why the recommendations provided have not resulted in the launch of judicial proceedings;
53. Stresses the need to address the lack of information on the owners and ownership structure of companies or groups of companies with the aim of making the current distribution of funds more transparent and helping to make significant improvements in the efficient detection of irregularities;
54. Demands that the Member States collect data on the final recipients of funds and make this data available on request;

IT support

55. Welcomes the Commission's proposals on the compulsory use of a single integrated IT system for data mining and risk scoring, on the increased scope and effectiveness of the early-detection and exclusion system (EDES) and on the enhanced use of digitalisation and technology to increase the efficiency and quality of controls and audits; believes that these measures would strengthen the response to the increased risks of serious irregularities that follow the urgent delivery of funding under pressure in emergency situations;
56. Emphasises that the EDES, as the EU's blacklist, has huge potential to flag people and companies that misuse EU funds; welcomes the Commission's proposal² to change the Financial Regulation in order

¹ OJ C 205, 20.5.2022, p. 2.

² 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 (COM(2022)0223).

to strengthen the use of the EDES not only in direct management but also in indirect and shared management;

57. Underlines the need to make the use of the single integrated IT system compulsory as soon as possible, without waiting for the next MFF, as also stated in the ECA's Opinion 06/2022 of 27 October 2022¹;
58. Welcomes the Commission's continued support for Member States through the structural reform support programme and the Technical Support Instrument; expresses its support for the financing of the CORE project, which aims to develop a procedure to compute corruption risk in public procurement during the pandemic and improve the early detection of corruption risk;
59. Welcomes the decision adopted by the Advisory Committee for the Coordination of Fraud Prevention (COCOLAF) to set up an expert group dedicated to the use of IT tools to protect RRF resources;
60. Calls on the Commission to explore the possibility of using artificial intelligence for the protection of the EU's financial interests;

The EU anti-fraud architecture: the internal components (OLAF, EPPO, Europol, Eurojust, Commission, ECA and EIB)

61. Underlines the fact that the EU anti-fraud architecture is a composite institutional architecture designed to detect, prevent and combat fraud and other forms of misconduct affecting the EU's financial interests, built on a multilayered network of cooperation: the first layer is grounded on horizontal cooperation among EU institutions, bodies, offices and agencies, while the other layers are based on vertical relationships between EU and national authorities, and between EU authorities and international organisations;
62. Highlights the added value that EU bodies bring to the protection of the financial interests of the Union and the fight against fraud by overcoming national systems' limitations, especially for cross-border crime, as shown by the operational results achieved by the EPPO and OLAF; emphasises the role of the EPPO, Eurojust, Europol and OLAF in the fight against corruption;
63. Welcomes the start of operations of the EPPO on 1 June 2021, as the final component of the EU anti-fraud architecture to be put in place; observes that in its first half year of operational activity, the EPPO

¹ Opinion 06/2022 (pursuant to Article 322(1), TFEU) concerning the proposal for a Regulation of the European Parliament and of the Council on the financial rules applicable to the general budget of the Union (OJ C 446, 24.11.2022, p. 26). The full opinion is available at https://www.eca.europa.eu/Lists/ECADocuments/OP22_06/OP_Recast_EN.pdf.

received 2 832 reports and opened 576 investigations; notes, with regard to the proceeds of criminal activities, that 81 recovery actions took place in 12 of the participating Member States and that the EPPO requested that a total of EUR 154,3 million be seized, of which the seizure of EUR 147 million was granted;

64. Praises the EPPO for having created a new climate of trust for citizens and invites the Commission and the Member States to increase their cooperation in order to enable the full implementation of the EPPO's mandate; recalls in this regard that, on the one hand, the Member States' detection rates need to be enhanced, and that the cooperation of OLAF has a key role to play in the EU anti-fraud structures; recalls also the various critical shortcomings identified in the EPPO Regulation that need to be addressed as soon as possible; invites the Commission to urgently take action on the requests made by the EPPO on its budgetary implementation, so that the EPPO can become a fully effective and independent prosecution office;
65. Notes the observations and considerations expressed by the European Chief Prosecutor on the need to amend the EPPO Regulation; calls on the Commission to engage in a discussion with the EPPO to identify the improvements required to enhance its operational effectiveness; recalls that the EPPO is an independent body of the Union and should not be assimilated to an agency, as this would have an impact on its independence and efficiency; notes that there are several other provisions of the EPPO Regulation that have an impact on the operations of the EPPO and, therefore, on the protection of the EU's financial interests, and asks the Commission to propose solutions to improve the situation and to report to Parliament in line with Article 119(1) of the EPPO Regulation;
66. Deeply regrets the fact that five Member States still refuse to participate in the EPPO, namely Poland, Hungary, Sweden, Denmark and Ireland;
67. Regrets the fact that the participation of Member States in the EPPO is not obligatory; reiterates its call on the remaining Member States to join the EPPO as soon as possible; calls on the Commission to incentivise participation in the EPPO through positive measures;
68. Highlights the fact that the legal frameworks of OLAF and the EPPO clearly provide for the two offices to work in close cooperation while respecting their individual mandates, powers and competences; notes in this regard that, in 2021, OLAF opened 26 complementary investigations and carried out eight supporting operations; remarks that OLAF forwarded 167 files to EPPO, mainly related to shared management (63) and direct expenditure (34) and in equal number concerning internal and international investigations (25 cases each); appreciates that this transmission resulted in the opening by the EPPO of 85 criminal investigations and that such cases relate to an

estimated total loss to the EU budget of EUR 2,2 billion; encourages both OLAF and the EPPO to continue to enhance their cooperation;

69. Remarks that OLAF actively cooperates with the ECA, Eurojust and Europol; welcomes the joint efforts of OLAF and Europol to assess the threats and vulnerabilities of the RRF instrument and their cooperation with other Commission services entrusted with supervising the RRF (the Directorate-General for Economic and Financial Affairs and the Commission Secretariat-General); appreciates the joint OLAF/Europol report entitled 'Assessing the threats to the NextGenerationEU (NGEU) Fund';
70. Appreciates the working arrangement between Europol and the EPPO, which entered into force on 19 January 2021; notes that working arrangements were also signed on 3 September 2021 for a framework for cooperation between the EPPO and the ECA;
71. Is aware that the EPPO and the European Investment Bank (EIB) Group have also signed working arrangements to guarantee that the EIB can smoothly transmit information falling within the EPPO remit before any action is undertaken by the EIB Inspectorate General;
72. Calls for closer cooperation with Eurojust; welcomes the sharing of expertise and the exchanges between attendees at seminars and other presentations, but believes that Eurojust's contribution should be assessed and defined in the framework of the anti-fraud architecture, building on its complementarity with the EPPO and confirming the synergies from its cooperation with OLAF;
73. Welcomes the launch of Operation Sentinel and the NextGenerationEU - Law Enforcement Forum, the latter of which is a joint initiative, co-led by Europol and Italy, that brings together Europol, the EPPO, OLAF, Eurojust, the EU Agency for Law Enforcement Training and the Member States, providing a forum for intelligence sharing and coordination of operations to tackle the infiltration of organised crime in the legal economy, and to protect the NGEU stimulus package, with a specific focus on corruption, tax evasion, embezzlement and money laundering; takes the view that, in order to effectively address the threat posed by organised crime, the exchange of best practice and development of common and coordinated strategies are pivotal;
74. Recalls that OLAF was created not only for internal investigations but also to support Member States in external investigations; recalls that the subsidiarity principle prevents OLAF from launching investigations where Member States are in a better position to act, but this does not preclude OLAF from conducting analyses of recurring cases, trends and patterns, or from building on the enhanced cooperation and successful actions brought about by its ability to detect these phenomena;

75. Acknowledges, on customs-related matters, the extremely close operational coordination between OLAF, the European Union Intellectual Property Office, Interpol and the WCO; regrets the weakness of the Member States' alert systems;
76. Is aware that on 18 June 2021 the Commission and the EPPO signed the administrative arrangements for implementing the mutual information and consultation obligations set out in Article 103(2) of the EPPO Regulation, under which the EPPO can more effectively investigate and prosecute crimes affecting the EU budget, and Commission departments can ensure appropriate administrative, financial and disciplinary follow-up of the EPPO's investigations, including precautionary measures to protect the EU budget;
77. Deplores the fact that in 2021, out of an overall budget of EUR 44,9 million, the EPPO was forced to return EUR 9,5 million (about 20 %) to the EU budget, after having requested and obtained additional resources from the budgetary authority to hire statutory staff because the clearance to hire them was not granted by the Commission;
78. Is of the opinion that OLAF should also follow up on its financial recommendations in order to compare them with the amounts recovered at the end of the procedures by the Commission and thereby contribute to the overall monitoring of the recovery of funds;
79. Reiterates its concerns related to the permanent understaffing at OLAF, the EPPO, Europol and Eurojust and their lack of financial and human resources, as they need an adequate and predictable budget to be able to organise and carry out their work to the best of their ability; underscores that their workload has now further increased due to the adoption of the NGEU and the provision of extraordinary funds to support Ukraine; reiterates its call to ensure that those EU bodies and agencies are adequately resourced 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;
80. Asks the Commission to increase the EPPO's and OLAF's financial and human resources to enable them to tackle the challenges that will arise from the spending of the exceptionally large recovery fund; asks the EPPO and OLAF to avoid any overlapping of work and any delays in proceedings; is of the opinion that OLAF and the EPPO should complement each other's work and focus their respective investigations on those fields where the other institution has no competence;
81. Calls on the Commission to establish a mechanism for small and medium-sized enterprises to lodge a complaint directly with the Commission whenever they are faced with a high level of corruption, severe misconduct by national authorities, irregular or biased

treatment in tenders or regarding the distribution of subsidies, pressure or intimidation from criminal structures, organised crime or oligarchic structures, or any other severe infringement of their rights;

82. Recognises the principle of confidentiality of OLAF investigations; is of the opinion, however, that there is an overarching public interest and that EU citizens also have the right to access the reports and recommendations relating to closed OLAF investigations and national follow-up procedures, as ruled by the CJEU in Case T-517/19; asks OLAF, therefore, to set up a mechanism to publish the reports and recommendations for which there is no longer any legitimate reason to maintain the principle of confidentiality;
83. Reiterates its request for a mechanism to be put in place by OLAF to grant access on request to its investigation reports and recommendations, which are often of great public interest, in order to increase transparency while respecting the confidentiality of its investigations;
84. Welcomes the targeted revision, initiated by the Commission, of the action plan accompanying the Commission's anti-fraud strategy, and calls on the Commission to take into account the proposals put forward herein and in Parliament's previous resolutions on PIF matters;

The EU anti-fraud architecture: the external components (Member States, AFCOS, NAFS, UAEP, the rule of law)

85. Underlines the important role that the Member States play in protecting the Union's financial interests; is aware that, under the new delivery model adopted with the RRF, the Member States have greater responsibility for preventing and countering fraud, corruption, conflicts of interest and double funding; believes, however, that the European level of protection is also crucial for the protection of the EU's financial interests and that efficient cooperation between the EU and the national authorities is essential for proper delivery;
86. Calls on the Member States that participate in the EPPO to provide the necessary support to the office (through support staff and appropriate working conditions for European delegated prosecutors, access to databases, police officers, prompt cooperation from taxation and customs authorities, etc.), so that it can optimise its efficiency in protecting the EU's and Member States' budgets;
87. Encourages the Member States to take a proactive approach to protecting the Union's financial interests by using data from all available sources, analysing data and exchanging information, including with law enforcement authorities and the Commission, in

order to identify and address emerging risks and fraud trends in a timely manner;

88. Welcomes the analysis in the PIF Report 2021 and calls on national authorities to take it into account in their control activities;
89. Reiterates its worries about the bureaucratic overburdening of the national authorities; calls on the Commission to always strive to decrease the number of indicators needed for audit and control purposes when determining which indicators and data are truly relevant, necessary and proportionate;
90. Asks the Commission to strengthen the conflict-of-interest provisions in the review of the Financial Regulation to include the preparation of the budget by public officials;
91. Calls on Ireland and Poland to immediately start cooperating with the EPPO on the basis of existing mutual legal assistance treaties and legislation and emphasises that their current lack of cooperation goes against the duties of sincere cooperation (Article 13 TEU) and the specific objective, and related obligations on the Member States, of the effective protection of the Union's financial interests (Article 325 TFEU);
92. Believes that uneven and fragmentary legislation, controlling mechanisms, digitalisation of data and reporting systems across the Member States represent obstacles to the effective protection of the Union's financial interests, hindering comparability and preventing the evaluation and mapping of the scale, nature and causes of fraud in the EU; stresses that, in particular, the diverse implementation of the PIF Directive, combined with the rules set out in Article 25 of the EPPO Regulation, make it impossible for the EPPO to exercise its competence in some Member States (for example, with regard to smuggling and situations where national and EU funding overlap), creating loopholes in the anti-fraud architecture;
93. Stresses the need for complete transparency in accounting for the transfers and loans provided for under the RRF, so that any potential fraud to the EU's financial interests can be pursued by the EPPO and/or OLAF; calls on the Commission to ensure that Parliament has full access to all relevant information;
94. Observes that the transposition of the PIF Directive is a precondition to enabling the EPPO and its partners to effectively carry out investigations and prosecutions; welcomes the first report of the Commission on the transposition of the Directive, published on 6 September 2021; notes that, since then, and despite the transposition of the Directive by all the Member States, the

Commission has opened infringement procedures against 17 Member States for not correctly transposing the PIF Directive¹;

95. Recalls that 18 infringement procedures have been opened for the incorrect transposition of Directive (EU) 2018/843 on the prevention of the use of the financial system for the purposes of money laundering or terrorist financing²; points out that the deadline for the transposition of the Whistleblower Directive was 17 December 2021 and that by that date only five Member States had transposed it, while four more have adopted specific legislation in 2022; encourages the Commission to take all further steps needed to ensure effective compliance by the Member States;
96. Notes with concern that the Commission has opened infringement procedures against 15 Member States for not having transposed the Whistleblower Directive;
97. Recalls that an effective fight against money laundering is essential to protect the financial interests of the Union and ensure the full recovery of funds;
98. Is concerned by the overall lack of action by many Member States, which is preventing the creation of a more uniform playing field in the anti-fraud landscape;
99. Is aware that on 1 January 2021 the Union Anti-Fraud Programme (UAFP), the successor to Hercule III³, entered into force; observes that the new UAFP redesigns and merges the resources financing the Hercule III programme, the Anti-Fraud Information System and the Irregularity Management System so as to enhance coordination and synergies; remarks that OLAF plays a leading role in its implementation;
100. Recalls that anti-fraud coordination services (AFCOS) are a requirement in every Member State and that they should facilitate

¹ By the end of 2021, 13 out of the 14 procedures launched in 2019 had been closed. In the subsequent conformity check, the Commission services assessed the compatibility of these notified national transposition measures with the Directive's provisions and obligations. In December 2021, the Commission launched infringement proceedings for incorrect transposition against another eight Member States.

² Directive (EU) 2018/843 of the European Parliament and of the Council of 30 May 2018 amending Directive (EU) 2015/849 on the prevention of the use of the financial system for the purposes of money laundering or terrorist financing, and amending Directives 2009/138/EC and 2013/36/EU (OJ L 156, 19.6.2018, p. 43).

³ 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 (OJ L 172, 17.5.2021, p. 110).

effective cooperation and information sharing with OLAF; regrets, however, the fact that not all Member States effectively entrust their AFCOS with coordinating the fight against fraud and corruption affecting the EU's financial interests; maintains that effective coordination at national and EU levels can be achieved with the adoption of a national anti-fraud strategy (NAFS) that allocates tasks and defines processes and responsibilities clearly;

101. Appreciates that the Commission's encouragement to Member States to adopt a NAFS has resulted in a steady increase in the number of strategies adopted; notes that by the end of 2021, 17 Member States had adopted or updated a NAFS (up from 10 in 2019 and 14 in 2020); observes that of the 10 Member States yet to adopt a NAFS, four reported that they were in the process of drafting, or close to adopting, a strategy; regrets the fact that, despite the improvements compared to 2020, six Member States are still far from adopting a NAFS;
102. Insists that even in the Member States where such strategies have already been adopted, a revision is required to reflect the new anti-fraud landscape, including new challenges, as well as developments in systems; stresses that the EPPO has been operational since June 2021 and the RRF Regulation was adopted in February 2021, and there is an opportunity to reflect significant new risks, such as those associated with the COVID-19 pandemic and the implementation of the RRFs;
103. Remarks that in the PIF Report 2021, the Commission recommended that Member States adopt or revise a NAFS in order to take into account RRF-related risks; is aware that the adoption of NAFSs by the Member States is also to be encouraged by the Commission's services under point 37 of the Commission Anti-Fraud Strategy Action Plan¹; calls on the Commission and OLAF to consider providing support and advice to the Member States in a more structured way, taking a cross-cutting approach, and to that end, 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 submit a detailed explanation of the work in progress in this regard to the discharge authority;
104. Is aware that in its PIF Report 2020, the Commission made targeted recommendations to Member States aiming at enhancing cooperation and strengthening internal control frameworks; notes that attention was drawn to risk assessment and risk management, the collection and analysis of data on irregularities and fraud, and

¹ Commission staff working document of 20 September 2021 entitled 'Commission Anti-Fraud Strategy (CAFS) Action Plan – State of Play June 2021' (SWD(2021)0262).

the use of integrated and interoperable information and monitoring systems for the implementation of RRF- and EU budget-financed activities; regrets that not all the Member States have implemented such recommendations, and notes that some of them have systematically refused to do so; asks the Commission to enhance its monitoring actions for those Member States that have not implemented the PIF recommendations;

105. Welcomes the adoption of the Conditionality Regulation; reiterates that it entered into force on 1 January 2021; welcomes the judgments of the CJEU of 16 February 2022 concerning the actions brought by two Member States against the conditionality mechanism and its conclusions confirming that the EU does indeed have competences regarding the rule of law in the Member States and that the rule-of-law conditionality mechanism is in line with EU law;
106. Recalls that Member States' ineffective or untimely cooperation or non-cooperation with the EPPO and OLAF constitutes 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;
107. Points out that the Conditionality Regulation is a permanent instrument applying beyond the limits of a given MFF and applicable across the board as a prerequisite for accessing all EU funds;
108. Recalls that compliance with the rule of law and with Article 2 TEU are prerequisites for gaining access to funds, that the rule-of-law conditionality mechanism is fully applicable to the resources of the RRF as explicitly stipulated by Article 8 of the RRF Regulation, and that no measures may be financed under the RRF that are contrary to the EU values enshrined in Article 2 TEU;
109. Considers that the Conditionality Regulation is sufficient and able to prevent or remedy democratic backsliding, but only if it is used in a timely manner, with strict and clear conditions and followed up by close monitoring of the implementation of the national remedial measures;
110. Deeply regrets the fact that under the rule-of-law conditionality mechanism, the Commission presented Hungary, as remedial measures, with a set of 17 conditions that are not sufficient to rectify the serious breaches of the rule of law; regrets that the Commission did not request more substantial changes and safeguards to restore the independence of the judiciary, reduce the level of corruption and guarantee the adequate protection of the EU's financial interests;
111. Maintains that compliance by the Member States with the principles of the rule of law is a prerequisite for sound financial management,

in general, and for the efficient and effective management of EU resources, in particular; believes that violations of such principles therefore pose a serious danger to the Union's financial interests; welcomes the judgments of the CJEU¹ that have recently highlighted the clear relationship between respect for the principles of the rule of law and the efficient implementation of the Union budget; reiterates 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 overcoming the national systems' inherent limits, which are an obstacle when dealing with financial crime, which has become an increasingly transnational form of misconduct; takes the view that only effective judicial review can ensure compliance with EU law as noted by the CJEU, namely that expenditure 'cannot be fully guaranteed in the absence of effective judicial review designed to ensure compliance with EU law; the existence of such review, both in the Member States and at EU level, by independent courts and tribunals, is of the essence of the rule of law'²;

112. Highlights the detrimental effects of corruption on the rights of citizens; reiterates once again its recommendation that the EU should become a member of the Group of States against Corruption (GRECO), since there are no legal obstacles to its full membership; invites the Commission, therefore, to recommend that the Council conclude an international agreement with GRECO to set down its membership; requests the Council to take a clear position on the EU joining GRECO, clarifying whether there is any specific opposition and, if so, from which Member State or States;
113. Recalls that in order to effectively protect the EU's financial interests, more coherent and systematic rules on transparency, incompatibilities, conflicts of interest, illegal lobbying and revolving doors should be put in place; highlights the need to enhance the EU transparency register; calls on the Commission to strengthen its internal control mechanisms, including through the setting up of an internal corruption mechanism for the EU institutions;

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

114. Notes that more attention should be given to the control of funds for assistance in non-EU countries under the Neighbourhood,

¹ [Judgment of 16 February 2022, *Hungary v European Parliament and Council of the European Union*, C-156/21, ECLI: EU:C:2022:97 and the judgment of 16 February 2022, *Republic of Poland v European Parliament and Council of the European Union*, C-157/21, ECLI: EU:C:2022:98.](#)

² Judgment of 16 February 2022, *Hungary v European Parliament and Council of the European Union*, C-156/21, ECLI: EU:C:2022:97, paragraph 132.

Development and International Cooperation Instrument (NDICI-Global Europe); observes that this is especially important in the light of the COVID-19 pandemic and the EU's response to the war in Ukraine; recalls that overall, the EU dedicates around 10 % of its budget to external action;

115. Calls on the Commission to update the fraud report system for funds spent in non-EU countries; notes that the new system should take into account specific issues that the EU faces when spending money outside EU territory;
116. Notes from the ECA's report on the implementation of the Union's budget for 2021 that in the case of the NDICI-Global Europe (under the Union's general budget), out of the 67 transactions examined, 32 (48 %) were affected by errors, and despite the limited sample size, the audit results confirm that the risk of error in this MFF heading is high, and 24 of those errors were identified as having an impact on the EU budget; notes, furthermore, that the most common categories of error for 'Neighbourhood and the world' (heading 6) were expenditure not incurred, ineligible costs, absence of supporting documents and public procurement errors;
117. Recommends the suspension of budgetary support in non-EU countries, including candidate countries, where 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 is jeopardising or delaying the accession to the EU; regrets the fact that, according to ECA Special Report No 01/2022, 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;
118. 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 the administrative cooperation arrangements that OLAF signed in 2021 with two international partner authorities, the Prosecutor General's Office of Ukraine and the WCO; welcomes the fact that OLAF organised online events in 2021 to establish new operational contacts with investigative authorities in non-EU countries and encourage the reporting of fraud and irregularities through EU delegations around the world;

◦

◦ ◦

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