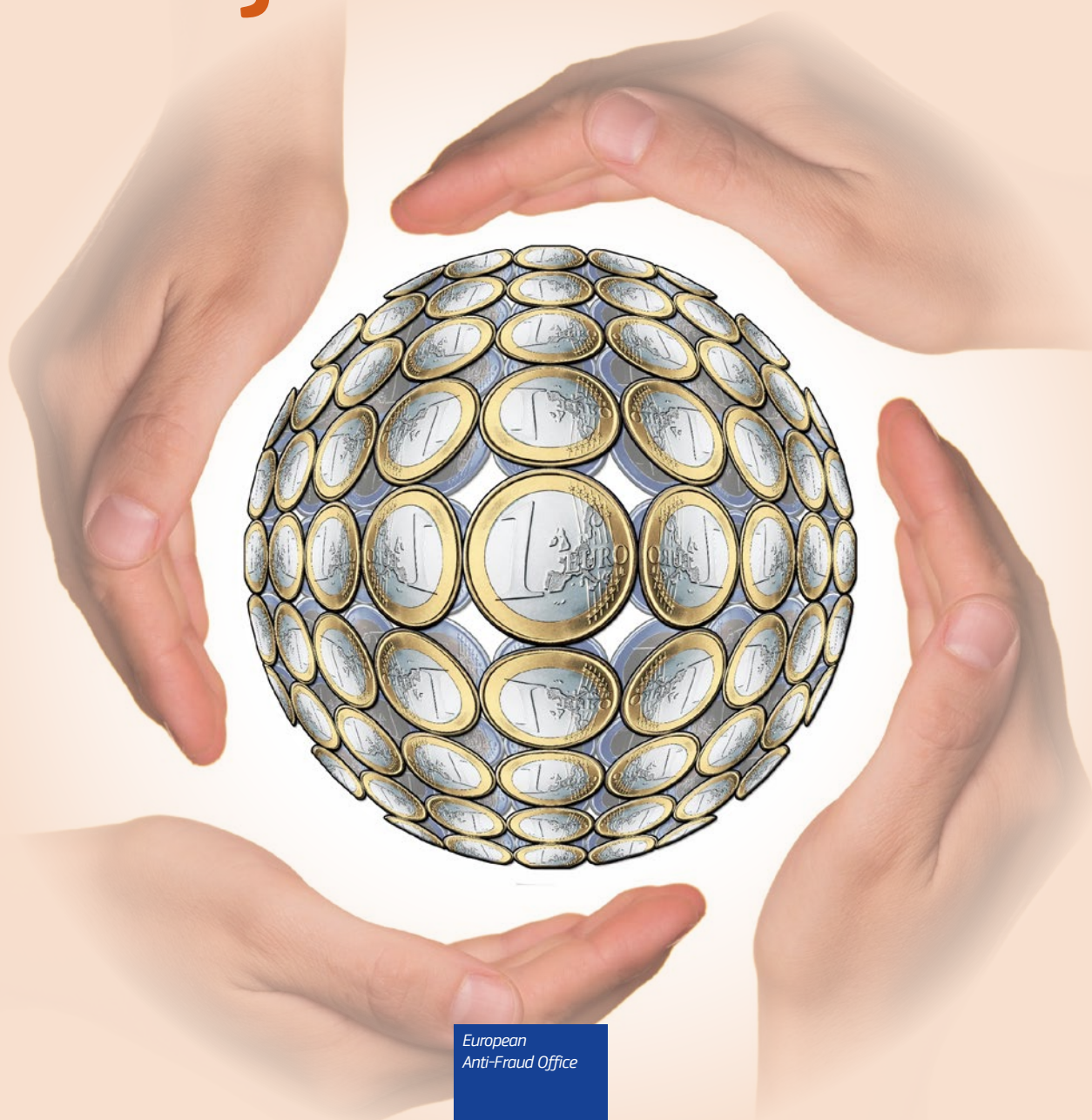




Protecting the European Union's
financial interests:

30 years of joint efforts



The Fraud Notification System (FNS) is a web-based tool available to any person who seeks to pass on information concerning potential corruption and fraud.

http://ec.europa.eu/anti-fraud/olaf-and-you/report-fraud_en

The reports are available on the [OLAF website](#).

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Protecting the European
Union's financial interests:

30 years of joint efforts





Foreword

Over the past 30 years, the protection of the European Union's financial interests has been a priority for the European Commission. Ensuring that the EU budget is being spent in the most effective manner is not optional; it is an obligation for both the institutions and the Member States. It is vital in order to preserve and promote citizens' trust in the EU.

During its mandate, the Juncker Commission has paid particular attention to the protection of the EU's financial interests. The anti-fraud landscape has been strengthened with the adoption of the directive on the protection of the EU's financial interests by means of criminal law (PIF directive), the establishment of the European Public Prosecutor's Office by enhanced cooperation, the proposal to amend the OLAF Regulation (Regulation (EU, Euratom) No 883/2013) and the adoption of the new Commission Anti-Fraud Strategy. Furthermore, this Commission has launched the "EU Budget Focused On Results" (BFOR) initiative, in order to join efforts of EU institutions, governments and civil society towards better spending, increased accountability and transparency, and creating a maximum added value for EU citizens.

The motivation for the Commission's actions has been consistent throughout the years: to protect the EU budget from fraudsters and ensure that European money reaches projects that improve citizens' lives in Europe and beyond. The yearly achievements of the Commission and the Member States and the measures taken to pursue this goal are showcased in the annual reports on the protection of the EU's financial interests, the so-called PIF reports. They are presented by the Commission to the European Parliament and the Council, under Article 325 of the Treaty on the Functioning of the EU. The first report was published 30 years ago, back in 1990.

From the setting-up of the Commission's Anti-Fraud Coordination Unit (UCLAF) in 1988, and then of its successor, the European Anti-Fraud Office (OLAF) in 1999, to the adoption of the latest Commission Anti-Fraud Strategy, the Commission has been continuously developing the Union's anti-fraud system in cooperation with its stakeholders, in particular the other European institutions and the Member States. Year after year, the PIF reports have testified to these efforts at European and national level and they have been progressively enriched with thorough and informative analyses of irregularities and fraud detected and reported by the Member States to draw up evidence-based recommendations to all players.

As we are moving to the next stage of the fight against fraud, with newly emerging types of fraud to tackle and a new institutional landscape, the Commission, the Member States, as well as OLAF and the EPPO, will have all key roles to play.

This brochure presents the main highlights in the protection of the EU's financial interests and the fight against fraud and corruption over the past 30 years.

I am pleased to celebrate with you the 30th anniversary of the PIF report and I invite you to discover more on the following pages.

Günther Oettinger,
European Union Commissioner for Budget and Human Resources

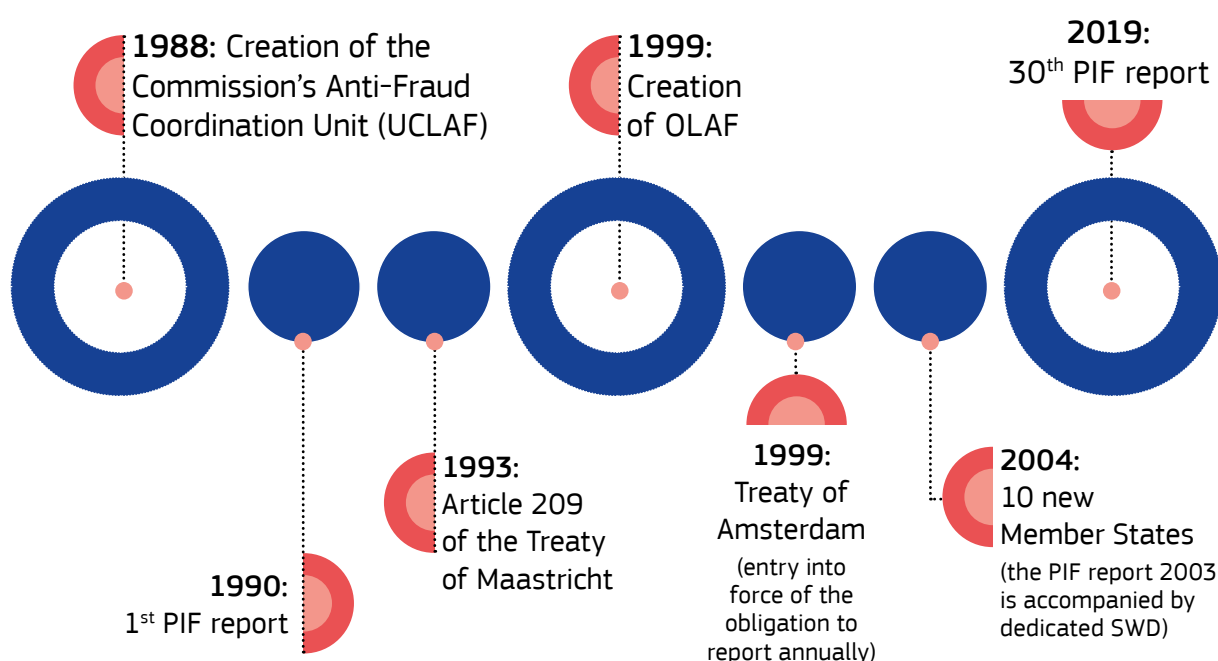
Protection of the EU's financial interests: presentation of the report

What is it?

Every year, under Article 325(5) of the Treaty on the Functioning of the European Union (TFEU), the European Commission, in cooperation with the Member States, submits to the European Parliament and to the Council a report on the measures taken to protect the EU's financial interests from fraud and other illegal activities. This report, also known as the PIF report, presents a summary of such measures taken at EU and Member State level and an analysis of the main achievements in detecting irregularities and fraud related to EU expenditure and revenue. It is accompanied by several supporting documents (SWD). The information included in the PIF report represents the basis for the European Parliament, which adopts a resolution on the protection of the EU's financial interests each year.

How old is it?

The first report was published in January 1990. This year marks the 30th edition of the PIF report.



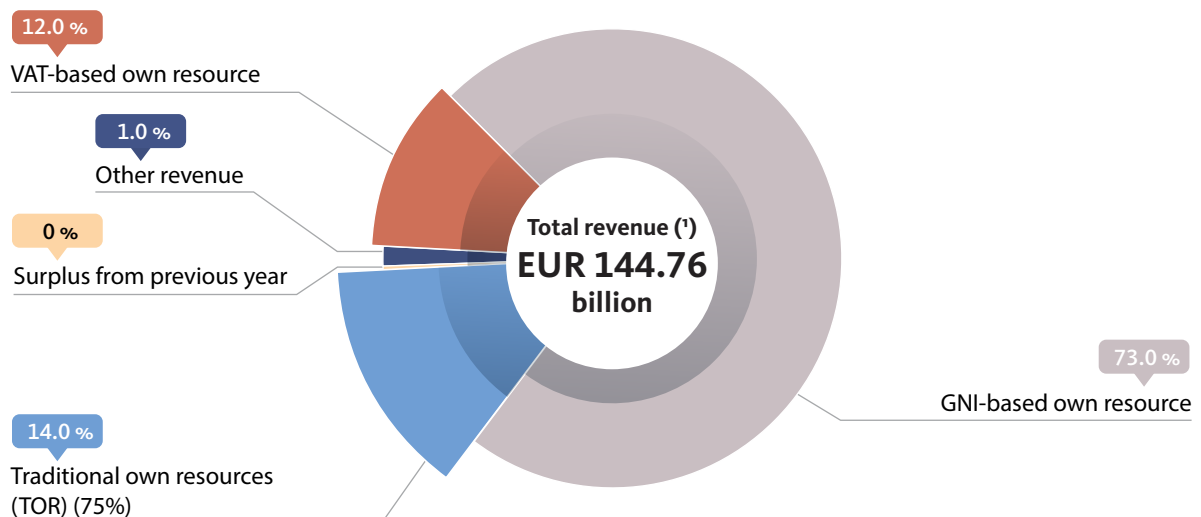
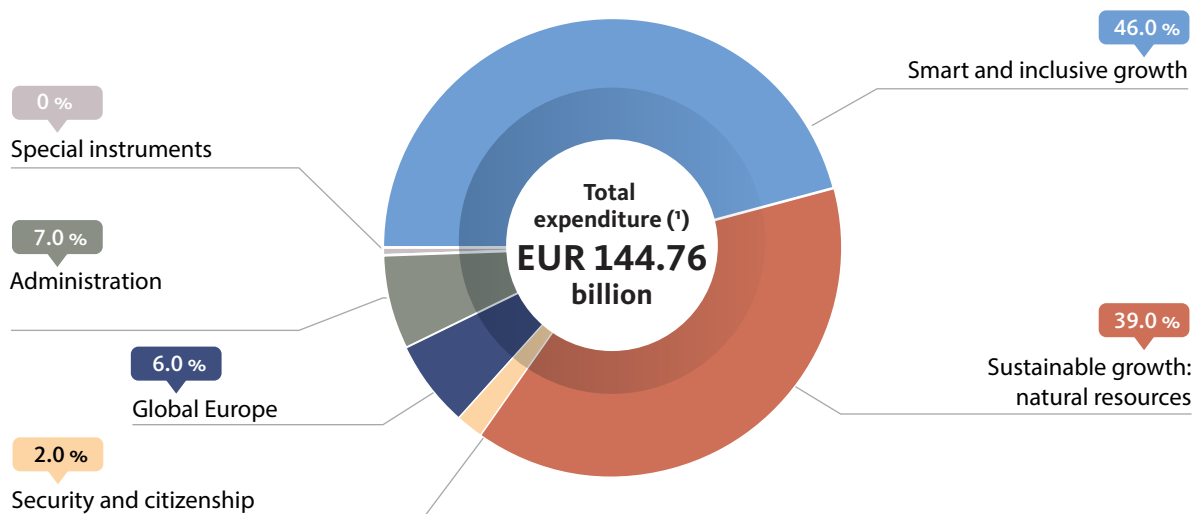
Who writes the report?

The EU and Member States share the responsibility for protecting the EU's financial interests and fighting fraud and work closely together, including for the preparation of this report. The PIF report assesses this cooperation with a view to improving it.

What are the financial interests of the European Union?

The financial interests of the EU refer to all revenues, expenditure and assets covered by, acquired through or due to the Union budget, the budgets of the EU institutions or budgets directly or indirectly managed and monitored by them.

Member States manage approximately 74% of the EU budget, in areas such as agriculture, fisheries and cohesion policy. When the Commission implements the budget under shared or indirect management, it delegates budget implementation tasks to the Member States or entrust them to bodies, offices or agencies established pursuant to the treaties or to other entities or persons. In the event of such shared or indirect management, the Union's financial interests should benefit from the same level of protection as they do when under the direct management of the Commission.



Figures: EU expenditure (top) and revenue (bottom) in 2018

085832

COMMISSION OF THE EUROPEAN COMMUNITIES

SEC(90) 156 final

Brussels, 31 January 1990

Did you know?

The first PIF report, relating to the year 1989, was published on 31 January 1990. It was 51 pages long.

THE FIGHT AGAINST FRAUD

REPORT ON WORK DONE AND PROGRESS ACHIEVED IN 1989

(presented by the Commission)



Brussels, 11.10.2019
COM(2019) 444 final

REPORT FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT AND THE COUNCIL

30th Annual Report on the Protection of the European Union's financial interests — Fight against fraud - 2018

{SWD(2019) 361 final} - {SWD(2019) 362 final} - {SWD(2019) 363 final} -
{SWD(2019) 364 final} - {SWD(2019) 365 final}

In comparison, the latest report, published in October 2019, is 33 pages long and is accompanied by five staff working documents adding up to over 500 pages in total.

EN

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The PIF report comes with a wealth of information

Fun facts

If printed out (which is done only on very special occasions for self-evident environmental reasons) the entire documentation would add up to over 500 pages, 3.8 cm thick, weighing about 2.4 kilos. A real heavy weapon against fraudsters!

When preparing the PIF report, the Commission collects and analyses a huge amount of data and information, which is then summarised in the report itself. In addition, all the knowledge produced through this analysis is put at the reader's disposal in dedicated Commission staff working documents (SWDs). The objective behind that is to further support all the players involved in fighting fraud against the EU's financial interests and to be transparent about the basis on which the report's overall conclusions are drawn.

► Staff working documents on implementation of Article 325 by Member States

The purpose of the PIF report (as set out in Article 325(5) TFEU) is to present to the European Parliament and the Council the measures adopted in the reporting year by Member States to protect the EU's financial interests. To do so, the Commission collects every year up to three of the most significant measures adopted in each Member State via an online survey (the PIF questionnaire). The Member States provide a short description of the initiative, its nature (legal, administrative, organisational or operational) and its intended goals. In the SWD 'Implementation of Article 325 by Member States' the reader can find a paragraph dedicated to any such measure.

► Follow-up on recommendations of the Commission report on the protection of the EU's financial interests — fight against fraud

In each PIF report, the Commission includes recommendations addressed to the Member States, which cover both the expenditure and revenue of the EU budget. These recommendations are evidence based, building on an analysis of all data and information collected. The Commission follow-up on the implementation of these recommendations by the Member States, through a yearly reporting exercise. This follow up results in a SWD accompanying the PIF report. Its purpose is to gather and analyse the efforts made at national level to implement the Commission's recommendations and to identify room for further improvement.

► Statistical evaluation of irregularities reported: own resources, agriculture, cohesion and fisheries policies, pre-accession and direct expenditure

The PIF report is data driven, as it is based on a deep statistical analysis of the irregularities and fraud that are detected and communicated by the Member States. The robust underlying methodology has evolved over the years and leads to an informative view of the achievements in detecting irregularities and fraud. It covers both the revenue and expenditure sides of the EU budget and provides deep insights in terms of fraud trends and patterns and useful indicators providing a better understanding about the anti-fraud results in different Member States. Every year, the overall analysis allows the Commission to formulate evidence-based policy recommendations to the Member States.

Did you know?

The accompanying documents were introduced for the first time in the 2003 PIF report. Before that, the statistics about irregularities and fraud, as well as the detailed description of the measures adopted by the Member States, were included in the report itself. Moving this information to the accompanying documents drastically improved the readability of the report and also simplified the translation process for the PIF report, in view of the upcoming enlargement of 2004. This has remained the report's format ever since.

► **Hercule**

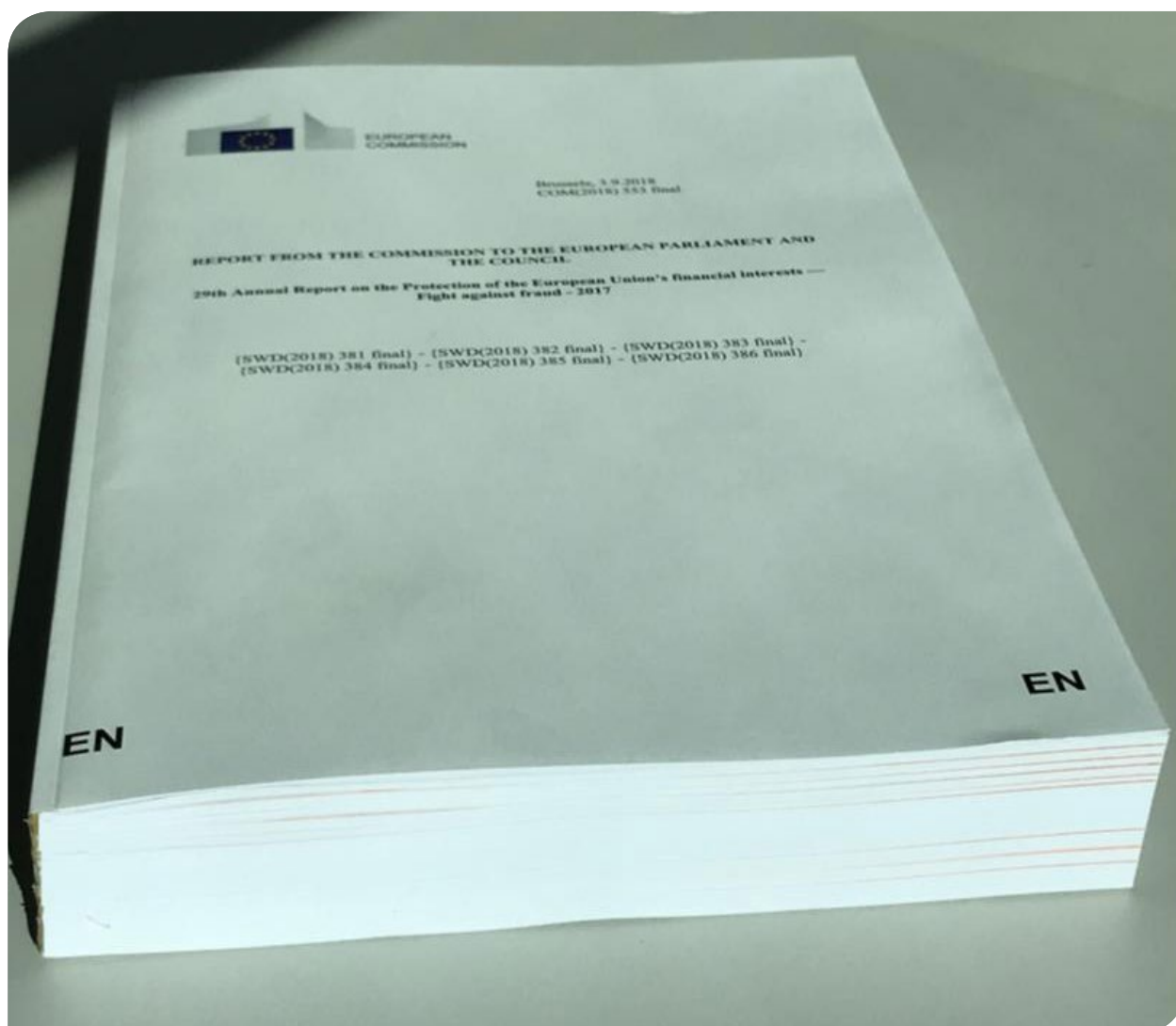
The SWD on the Hercule III programme provides an annual overview of the results achieved by beneficiaries implementing grants awarded. The programme is aimed at supporting actions to combat irregularities, fraud and corruption affecting the EU budget by financing training activities or projects such as the purchase of technical equipment to combat smuggling and other criminal activities.

► **Early Detection and Exclusion System (EDES)**

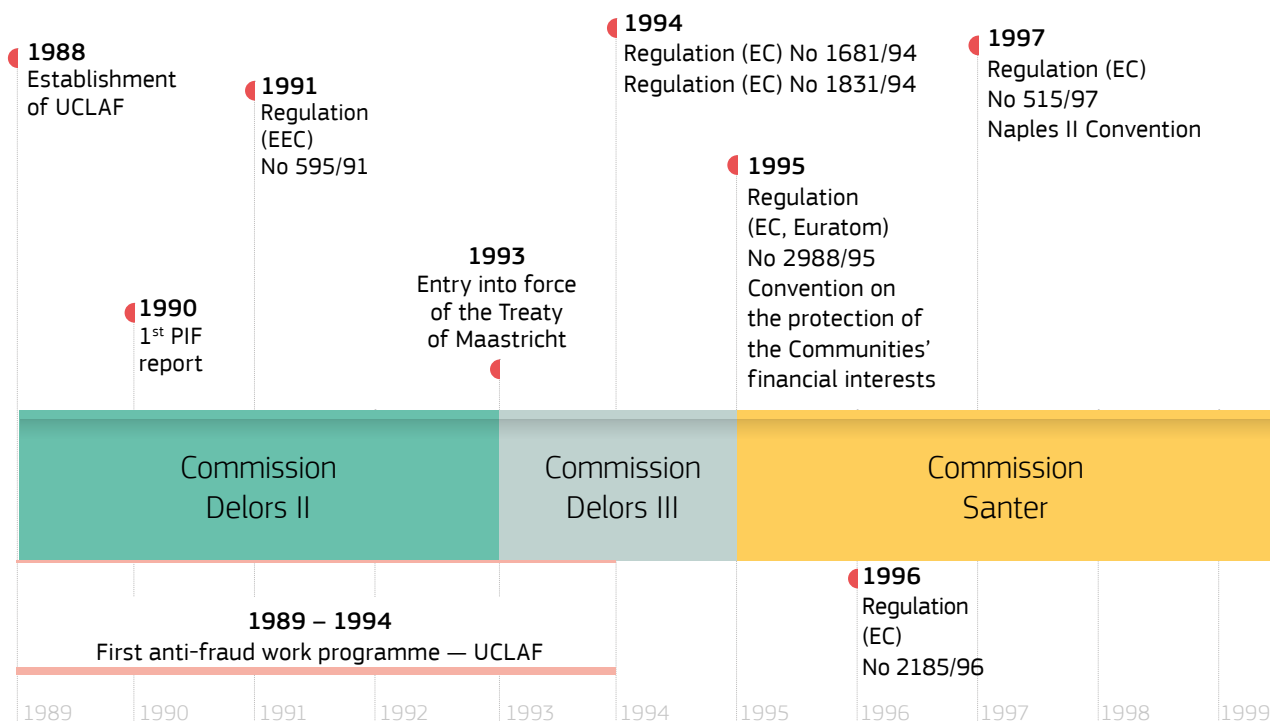
This SWD presents the yearly activities of the EDES panel. Set up in 2016, EDES ensures an independent and transparent central assessment of contemplated administrative sanctions in the respect of the fundamental rights of the economic operators concerned. The coherence of the administrative sanctions procedure is ensured by the Panel.

► **Other supporting documents:**

Depending on need, specific SWDs may be added dedicated to selected topics, for instance the implementation of the Commission Anti-Fraud Strategy (CAFS, COM (2019) 196).



1989-1998: laying the foundation



At the end of 1988 the unit for the coordination of the fight against fraud (**UCLAF**) was set up to direct and oversee all the Commission's fraud prevention activities, with a **45-point work programme** to carry out its objectives.

During the first decade, a number of major legislative acts were adopted, which significantly shaped the anti-fraud landscape up to 2017. In 1991, the Council adopted **Regulation (EEC) No 595/91** on the reporting of irregularities in the common agricultural policy. The **Treaty of Maastricht (UET)**, which entered into force at the end of 1993, placed the objectives and means for combating fraud at the highest institutional level and confirmed the Member States' obligation to treat the Communities' financial interests in the same way as their own, i.e. by using effective, proportionate and dissuasive means, thanks to a specific article (209A). Title 4 UET provides for closer cooperation and the tools to achieve it.

In 1994, the **Advisory Committee for the Coordination of Fraud Prevention (COCOLAF)** was set up. Regulations (EC) Nos 1681/94 and 1831/94 on the notification of irregularities and the recovery of sums unduly paid in the area of structural and cohesion funds were also adopted and a **freephone** was set up in each Member State so that individuals could help protect the EU's financial interests.

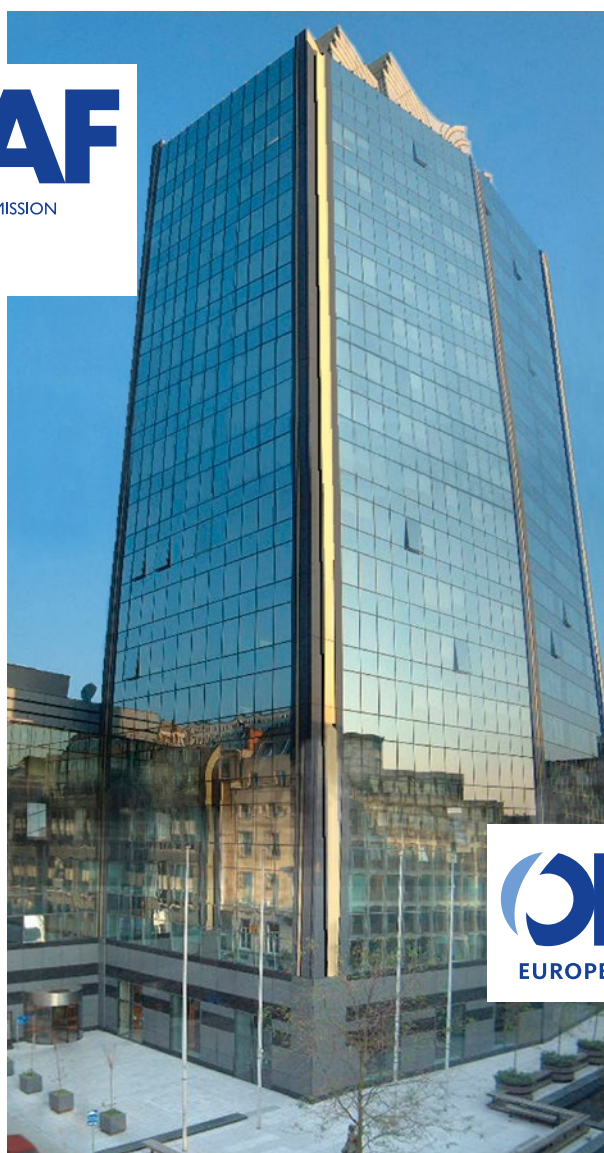
At intergovernmental level, Member States signed the **Convention on the protection of the European Communities' financial interests under criminal law (1995)**. The convention set out a common definition of fraud and of other serious offences that damage the Communities' financial interests, obliging Member States to treat it as a specific criminal offence with appropriate penalties. At the end of the year, the Council adopted **Regulation (EC, Euratom) No 2988/95**, a framework legislative act applicable to all expenditure and traditional own resources (not for VAT) that created the basis for the formulation of uniform administrative penalties, with the same legal force throughout the European Communities.

Regulation (EC) No 2185/96 on on-the-spot checks and inspections in the Member States carried out by Commission officials to detect fraud and irregularities was adopted in 1996, as well as the **first protocol on the fight against corruption** attached to the 1995 convention.

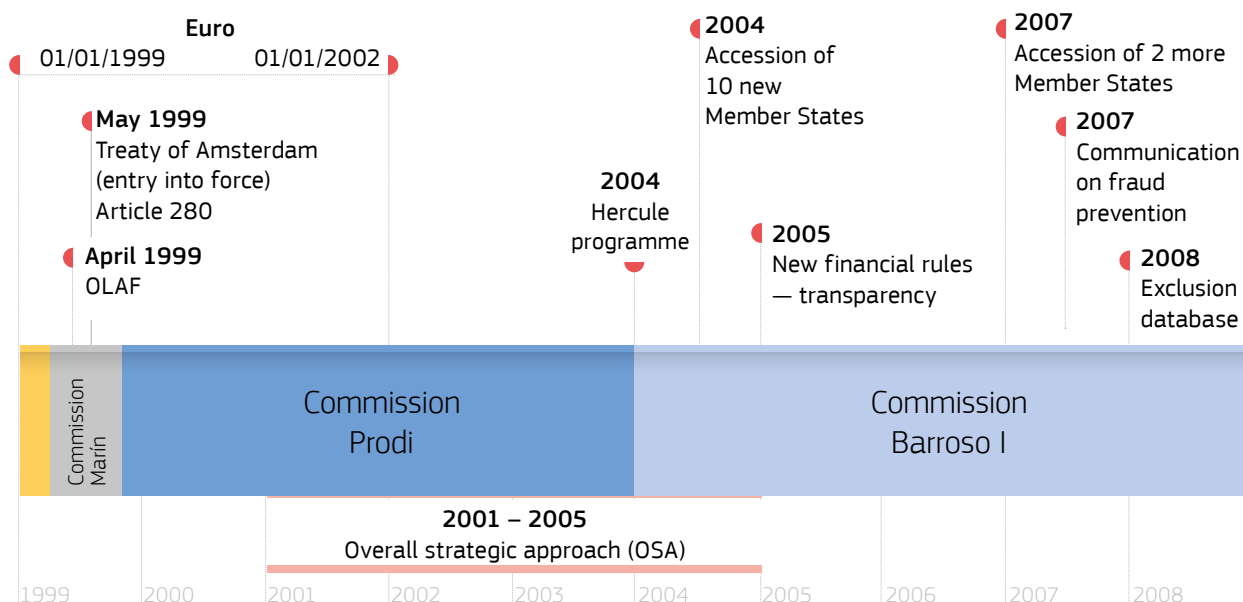
In 1997, Regulation (EC) No 515/97 on **mutual assistance in the customs and agricultural areas** was adopted. The Convention on mutual assistance and cooperation between customs administrations (the 'Naples II Convention') was signed in Brussels on 18 December 1997 (and entered into force on 23 June 2009). This convention, in respect of the prosecution and punishment of infringements of EU customs provisions, supplements Regulation (EC) No 515/97 and also Regulation (EU) No 389/2012 (on excise matters) on mutual assistance between the administrative authorities of the Member States.

In the same year, Member States signed the **second protocol (dealing with money laundering and judicial cooperation)** to the 1995 convention. The Council launched the **FISCALIS** programme, improving communication and information exchange tools to prevent VAT and excise fraud. The Commission adopted '**Agenda 2000**': a communication describing the broad outlook for the development of the EU and its policies on the eve of the new century, the challenges of enlargement and the future financial framework.

The end of the first decade was marked by events that demonstrated a number of weaknesses which required further action in certain areas.



1999-2008: enlargement, consolidation and operational reforms



In April 1999, a new player came on the scene. The Commission decided to establish the **European Anti-Fraud Office (OLAF)**, an independent body for operational activities, which took over the tasks of UCLAF. The **new legislative package** came into force on 1 June 1999 and extended OLAF's responsibilities to all activities related to safeguarding Communities interests against irregular conduct affecting the financial interests liable to result in administrative or criminal proceedings. In addition, almost all EU institutions began to entrust OLAF with investigating serious misbehaviour by their members and their staff.

This was part of a major reform and modernisation of the entire EU administration, notably in the area of financial management, which strengthened the Commission's system of governance and led to clearer lines of accountability and responsibility. As part of the Financial Reform, launched in the year 2000, the Commission decided to revise its internal control structures to make Authorising Officers by Delegation fully responsible for internal control, including fight against fraud, over their activities.

As the first European investigative body, OLAF's focus is on operational activities. Nonetheless, having combined the operational expertise and the coordination of the Commission's policy initiatives to fight fraud into a single body, the second decade was also rich with **policy ideas and projects to further enhance** the fight against fraud. Some of these initiatives would only bear fruit in the third decade, but they are already outlined in the **overall strategic approach (OSA —2001-2005)** that was adopted by the Commission on 20 June 2000 (COM (2000) 358).

In May 1999 the **Treaty of Amsterdam** entered into force amending and expanding the provisions on the fight against fraud and enshrining the adoption of the PIF report in paragraph 5 of the new **Article 280**.

The overall architecture was significantly reinforced with the enhanced roles of the European Parliament and the European Court of Auditors (ECA).

The second decade was marked by the introduction of the euro and the biggest enlargement in EU history with the accession of 12 new Member States (in 2004 and 2007). From an anti-fraud perspective this process required a national Anti-Fraud Coordination Service (AFCOS) to be set up in each Member States and a huge training effort for all 12 countries by the Commission.

Under the OSA, a recovery task force was set up to increase recoveries of EU funds in cases of detected fraud or other irregularities.

In 2003, the Commission proposed the 'Hercule' programme to support training activities, technical assistance measures and data exchange. The programme started in 2004 and was extended under the 2007-2013 and 2014-2020 multiannual financial frameworks (MFF).

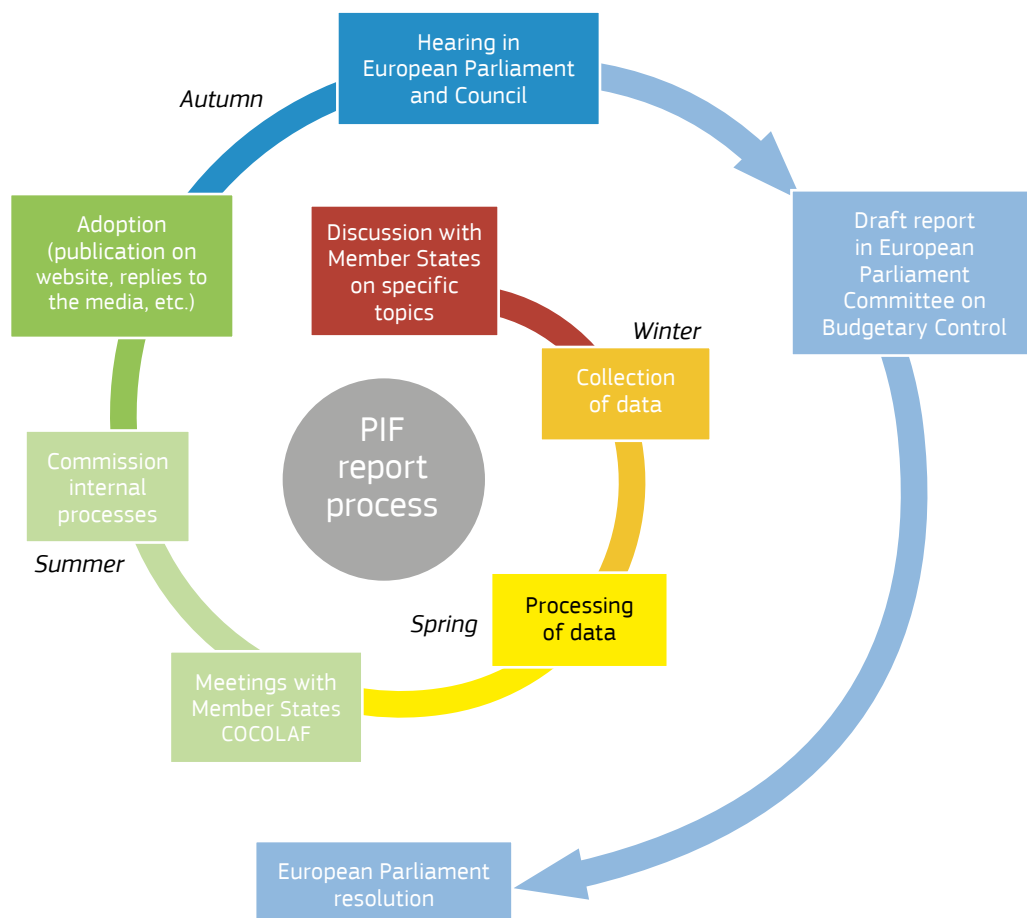
New financial rules were introduced in 2006, requiring national administrations to establish effective internal control systems and perform the necessary inspections on the EU funds under their management.

As OLAF's operational experience and results grew, in 2007 the Commission adopted the communication on 'Prevention of fraud by building on operational results: a dynamic approach to fraud-proofing' to integrate OLAF's expertise into the regulatory process. The aim was to identify shortcomings in legislative proposals, in the implementation of EU legislation and in management and control systems.

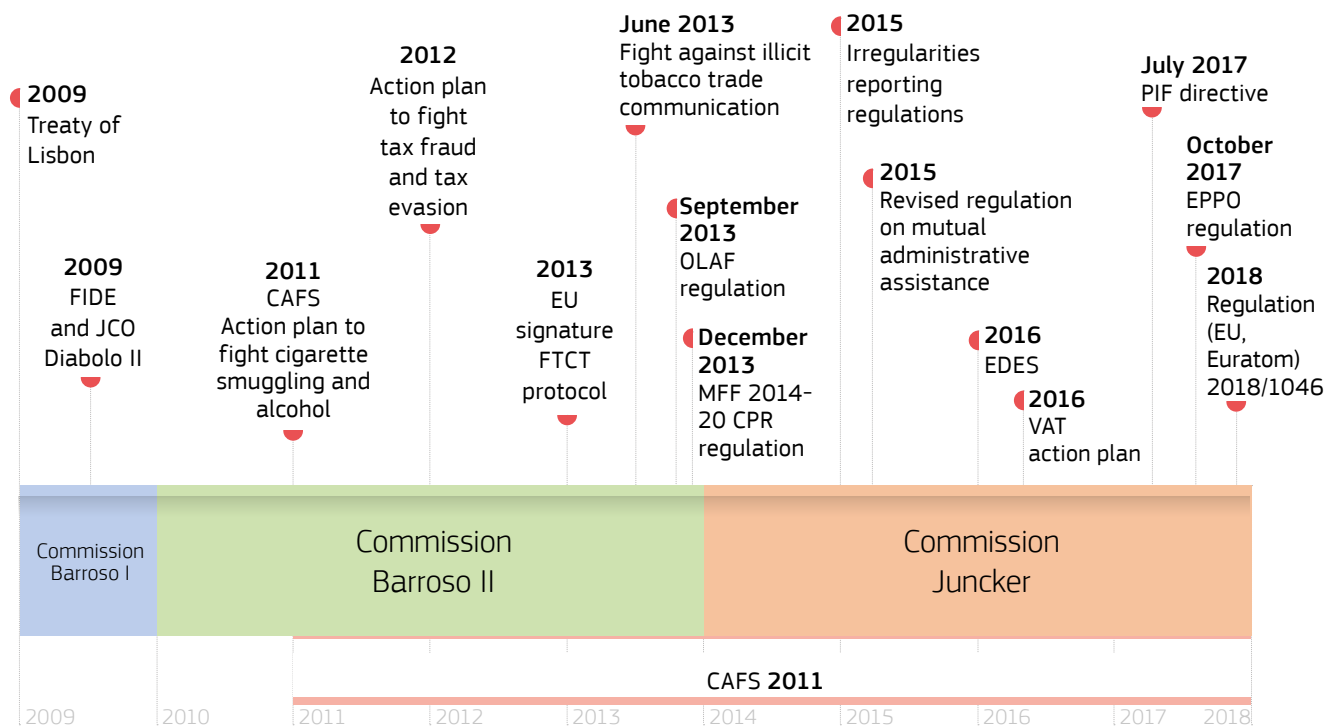
What types of recommendations are formulated in the PIF report?

The evidence-based recommendations to the Member States formulated in the PIF report address issues concerning revenue and expenditure. These include areas at risk, good practices in fraud detection and suggestions for control strategies.

The cycle of the PIF report



2009-2018: reforms and a new leap forward



During the third decade, the number and relevance of the measures adopted at EU level provided new momentum for the fight against fraud in all areas related to the EU budget.

Building on the achievements of the previous 20 years, this decade has seen the finalisation of ambitious initiatives, which will elevate the protection of the EU financial interests to a new level in the years to come.

Although the most remarkable achievements are legislative acts, operational measures have also brought about notable progress in terms of cooperation between the Member States and the Commission and OLAF, in line with the EU treaty. As a result of these continuous improvements, during the decade, the ECA gave a qualified opinion on the EU budget for the years 2016 and 2017.

In 2009, in the customs area a new database (Customs Files Identification Database — FIDE) was deployed and the **Joint Customs Operation (JCO) Diabolo II** launched, representing an excellent model for future operational cooperation. All Asia–Europe Meeting (ASEM) partners were involved and coordinated by OLAF, with the support of the European Union Agency for Law Enforcement Cooperation (Europol) and Interpol.

By the end of the year, the Lisbon Treaty entered into force. Among the many significant changes it introduced, it completed the integration process into the Union's system in the area of freedom, security and justice (i.e. police and judicial cooperation in criminal matters) and provided for the possibility of establishing a European Public Prosecutor's Office by enhanced cooperation.

In 2011, the Commission adopted an ambitious **anti-fraud strategy (CAFS)** and an action plan to fight cigarettes and alcohol smuggling along the EU's eastern border. In 2012, it presented its plans to **tackle tax fraud and tax evasion**.

2013 marked some significant advances in protecting EU financial interests. In line with the objectives set in the CAFS, specific anti-fraud provisions that required managing authorities to adopt effective and proportionate anti-fraud measures were introduced for the spending programmes of the 2014-2020 MFF. Regulation (EU) No 883/2013 redefined **investigations conducted by OLAF**, reinforcing the procedural guarantees for the individuals concerned and requiring all Member States to designate an anti-fraud coordination service (AFCOS) to facilitate effective cooperation and exchange of information with the Office. The World Health Organisation's **Framework Convention on Tobacco Control (FCTC) Protocol** against illicit tobacco trade was signed by 54 parties, including the EU. The Commission also adopted a communication on the **fight against tobacco smuggling** and an action plan.

The legislative package mandated by the CAFS was completed in 2014 with the adoption of revised public procurement and utilities directives and a new concessions directive. All CAFS priority actions were completed in the course of the same year.

The momentum continued under the Juncker Commission and as the decade drew to a close, two major and long awaited legislative acts were finally adopted to strengthen the criminal law protection of the EU budget: the directive on the **fight against fraud to the Unions' financial interests by means of criminal law** (Directive (EU) No 2017/1371 – or so-called “PIF directive”); and the regulation implementing enhanced cooperation on the establishment of the **European Public Prosecutor's Office** (Council Regulation (EU) No 2017/1939).

In 2017, the Commission revised its internal control framework to ensure that all components, even the ones including fight against fraud, are present and effective at all levels of the organisation.

In 2018, a new **financial regulation** (Regulation (EU, Euratom) 2018/1046) was adopted to simplify the use of EU funds and to redefine conflict of interests for all financial actors implementing the EU budget. In the revenue area, new rules were adopted to curb transnational VAT fraud and to enhance mutual administrative assistance between Member States, through the possibility to set up joint administrative enquires. As the institutions negotiate the legal framework for the 2021-2027 spending programmes, the anti-fraud provisions are being further refined. Finally, the Commission tabled a proposal for a targeted revision of the OLAF regulation (Regulation (EU, Euratom) No 883/2013).

Did you know?

Over the last 5 years in the areas of shared management, Member States detected over 50 000 irregularities worth a total of almost EUR 10 billion, representing 2 % of all payments. Over the same period, OLAF closed 277 investigations recommending the recovery of EUR 2.2 billion (about 0.45 % of the payments).

Member States detected over 25 000 irregularities concerning traditional own resources (TOR), worth about EUR 2.5 billion (2 % of the collected TOR), while OLAF closed 480 investigations worth about EUR 2.7 billion (2.7 % of collected TOR).

When an irregularity is detected or when OLAF recommends financial remedies, corrective actions are taken to protect the EU's financial interests and recover the unduly spent amounts.



Conclusions

The Commission, the co-legislators and the Member States are continuously refining the regulatory framework through which the European Union budget is protected. This brochure provides a sketch of this ongoing process and its major advances, leading the reader through three decades of joint work and efforts.

The Juncker Commission has given this process a strong additional momentum, through major initiatives that have been finalised and operational results that demonstrate the continuous striving to match emerging challenges and risks. The 30th PIF report is the last adopted under this Commission.

These efforts have borne fruit. The annual reports of the European Court of Auditors (ECA) for 2016 and 2017 have shown a continuous decrease of the error rate affecting the EU budget, with some policy areas showing very low rates.

However, the Commission is aware that this is a domain where resting is not allowed. New challenges continuously emerge and to keep the citizen's trust, European and national institutions must show their full commitment to fighting inefficiencies and wrongdoings.

In two special reports adopted in 2019, the ECA acknowledged these advances but also identified areas where improvements are needed. Most of them reflect and confirm conclusions previously presented in the PIF reports, while some others call for new measures.

On 29 April 2019, the Commission adopted its new anti-fraud strategy (CAFS), which also addresses most of the ECA's recommendations. The CAFS aims at enhancing the analytical capability of the Commission, in order to be more and more proactive in this ever-changing environment including via the integration of new technologies in control processes. Another aim is to increase the overall coordination, which is pivotal for such a complex organisation.

During the rest of 2019, the co-legislators will finalise the adoption of other important legislative initiatives to further reinforce the anti-fraud framework, including directives on the protection of whistle-blowers and on the prevention of money laundering.

The PIF reports will keep on informing the public about the latest developments in the fight against fraud throughout the EU, building on its unique feature as the only document that offers a comprehensive overview of the response of the Member States and the EU to protect citizens' money.

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