

"The way forward for OLAF"

Who or what is OLAF? The name probably makes most people think of a range of Swedish furniture. Or a new acquaintance from northern Europe.

That is disappointing for the staff of OLAF (which stands for Office européen de lutte anti-fraude). Every citizen of the European Union should be aware of what the European Anti-Fraud Office does. This is because the financial interests of the European Community are closely linked to those of the Member States, and therefore of European taxpayers, who finance the EU budget. And it is OLAF's job to protect the financial interests of the European Union from fraud, corruption and other irregularities.

OLAF has a heavy responsibility; its aim is to ensure a high degree of transparency and maximum cost-effectiveness for EU funds.

Independently of its operational tasks, OLAF conducts internal and external investigations. It cooperates with the Member States to combat fraud by providing them with support and passing on its expertise.

OLAF can initiate investigations in the Member States and, at their request, can carry out on-the-spot checks on business premises. With an EU budget of over €100 billion, there are strong incentives to commit fraud, especially where direct EU expenditure, structural expenditure, customs, taxes, external agricultural trade and trade in cigarettes are concerned.

Cases of fraud against the Community's financial interests are regularly detected in these areas. Such fraud takes a variety of forms, ranging from smuggling or falsifying customs declarations to presenting false documents in order to obtain import or export advantages, agricultural subsidies or structural aid.

In order to gain as complete an overview as possible of fraud cases, the European Union has set up a database to store all useful information.

There was a case in Kosovo that showed how important OLAF's work can be. OLAF launched an investigation into the embezzlement of funds in the energy sector. Following its enquiries and in cooperation with German, US, Serbian and Spanish

authorities, a UN staff member was convicted of embezzlement. At OLAF's instigation, €2.7 million were recovered.

Despite all the safeguards, major scandals like the Eurostat case unfortunately continue to occur.

Efforts to combat fraud must take account of organised international structures. Organised criminals also take advantage of the market freedoms, as in the case of transnational VAT fraud. That is why it is important to support the proposal for a European Parliament and Council Regulation on mutual administrative assistance for the protection of the financial interests of the Community against fraud and any other illegal activities (COM/2004/509). The proposed Regulation also highlights the need for OLAF as an EU-wide anti-fraud office.

In May 1999 (with Regulations 1073/99 and 1074/99) the European Commission's powers to conduct anti-fraud investigations were transferred to OLAF. In 2005 these "basic regulations" will be up for review. Recommendations to improve OLAF's work should include the following points:

- Organising an information campaign in the EU Member States: "Fraud is theft"
- Making OLAF's recommendations binding on national authorities following investigations
- Setting up a single, Europe-wide fraud hotline
- Reinforcing the OLAF Anti-fraud Communicators' Network (OAFCN)
- Giving OLAF administrative independence from the European Commission
- Extending OLAF's powers to cases of VAT fraud
- Giving OLAF's work a higher profile on the European Union's policy agenda
- Having OLAF's Director appointed by the European Parliament.

The proposals to introduce a system of incentives to combat fraud based on the American model are also important. In the USA the anti-fraud provisions of the Civil False Claims Act impose heavy penalties for financial fraud, while informers who reveal such fraud receive a share of the recovered sums.

OLAF also needs more staff. If there is no prospect of increasing its staff, then thought should be given to restricting its tasks to conducting internal investigations within the EU institutions.

Lastly, all EU citizens should be informed that their financial interests are protected by OLAF. The public's confidence in the European Union must be reinforced, not undermined. We therefore need to combat fraud transparently and effectively at all levels of the European Union, while also protecting the rights of suspects. Extensive efforts are required to prevent fraudulent activities.