



**A NEW LEAF**

Agricultural Network  
Exchanging Witnesses  
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Against the Fraud



# FIGHTING FRAUDS

## Legislative framework and models of governance against frauds and corruption

Padova, May 5th 2015

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(for more information see [http://ec.europa.eu/anti\\_fraud/about-us/funding/index\\_en.htm](http://ec.europa.eu/anti_fraud/about-us/funding/index_en.htm))'





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# Fighting fraud and corruption across Europe

## *Results, prevention models and best practices*

Padova, May 5th 2015

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# Content of the presentation

## 1. INTRODUCTION : OLAF

## 2. WHAT DO WE KNOW ABOUT THE RISKS OF CORRUPTION AND FRAUD

- ✓ First EU Anti-corruption Report
- ✓ PwC study: Costs we pay for corruption
- ✓ Annual Report on the Protection of the EU Financial Interests and Fight against Fraud

## 3. WHAT WE THINK WE KNOW ABOUT THE PROBLEM: THEORETICAL MODELS

- ✓ Possible correlations
- ✓ Widening the picture
- ✓ A dynamic theoretical model

## 4. COMBATING FRAUD AND CORRUPTION: THE RESULTS

- ✓ Achievements
- ✓ Shortcomings

## 5. ACTIONS TO CONTRAST FRAUD AND CORRUPTION

- ✓ Awareness raising
- ✓ A new legal framework
- ✓ Tools
- ✓ Strategies

SUMMARY





## The European Anti-fraud Office (OLAF)

### 1. MISSION

- ✓ Step up fight against fraud, corruption and other illegal activities
- ✓ Assistance to Member States
- ✓ Contribute to design and development of methods of preventing and combating fraud, corruption and other illegal activities
- ✓ Promote and coordinate the sharing of operational experience and operational practices

### 2. INVESTIGATIVE ROLE

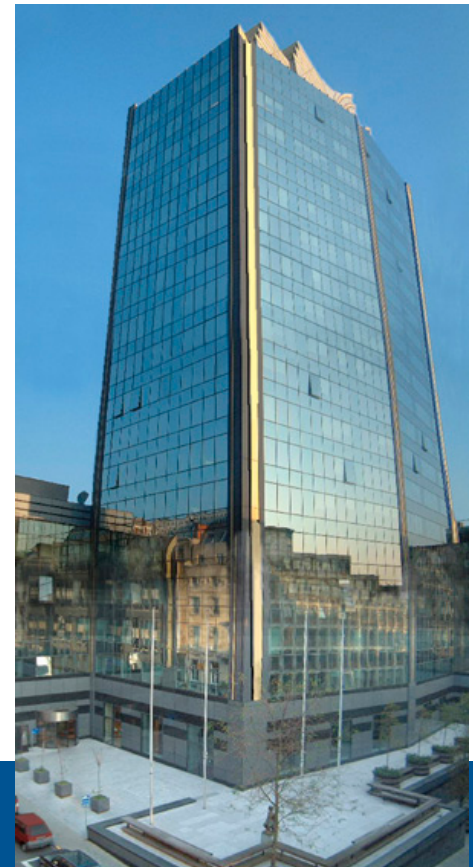
- ✓ Administrative investigations
- ✓ Recommendations
- ✓ Monitoring

### 3. POLICY ROLE

- ✓ Promote legislative proposals
- ✓ Coordinating policy initiatives
- ✓ Analysis

### 4. COOPERATION WITH AND SUPPORT TO MEMBER STATES

- ✓ Committees
- ✓ Joint Customs Operations
- ✓ Hercule



## What we know:

### 1) The first EU Anti-corruption Report

MAGNITUDE

- **PUBLISHED IN FEBRUARY 2014**
  - ✓ Nature and scope of corruption varies one MS to the other and effectiveness of anti-corruption policies is quite different
  - ✓ Greater attention needed by MS
- **CONTROL MECHANISMS DIVERSIFIED AND OFTEN INSUFFICIENT**
- **PROSECUTION AND PUNISHMENT**
  - ✓ Criminal law rules in place, but not evenly for private corruption
  - ✓ Efficiency of law enforcement and police varies
  - ✓ Comprehensive corruption statistics are missing
- **POLITICAL DIMENSION**
- **RISK AREAS**
  - ✓ Regional and local levels
  - ✓ Urban development and construction and health
  - ✓ State-owned companies when supervision is lacking
  - ✓ Widespread petty corruption
  - ✓ Public procurement
- **CORRUPTION ESTIMATED AT EUR 120 BILLION EACH YEAR**



## What we know:

# 2) Public procurement: Costs we pay for corruption (PwC study)

### 1. FIGURES

- ✓ Public procurement is worth EUR 2 406 billion every year (20% of EU GDP)
- ✓ EUR 447 billion published on the OJEU and the TED-database
- ✓ Study conducted on 8 MS and 5 economic sectors
- ✓ Direct public loss for **corruption and grey cases**: 18% of total project budgets
  - ❑ Higher in smaller projects
  - ❑ Overall lost amounts higher in large projects
  - ❑ Highest losses in training projects
- ✓ Ranges of % of procurement value lost to corruption
  - ❑ Lowest: 1.8-2.5% (Water and waste)
  - ❑ Median: 1.7-3.9% (RTD)
  - ❑ Highest: 4.7-15.9% (Training)

### 2. TYPES OF CORRUPTION

- ✓ Bid rigging
- ✓ Kickbacks
- ✓ Conflict of interest
- ✓ Other – including deliberate mismanagement/ignorance

## What we know:

### 3) Annual Report on the Protection of the EU Financial Interests (European Commission) (1)

#### 1. DATA COLLECTION METHOD

- ✓ Reporting of detected fraudulent and non-fraudulent irregularities by MS
- ✓ Via the Irregularity Management System

#### 2. SCOPE: the EU budget

- ✓ Revenue: Traditional Own Resources
- ✓ Expenditure – all sectors: EUR 150 billion each year

#### 3. FIGURES

- ✓ Fraud:

Budgetary sector (expenditure)	N° of irregularities reported as fraudulent	Variation in relation to 2012	Involved amounts (in million EUR)	Variation in relation to 2012	As % of payments
<b>Natural resources</b>	<b>588</b>	<b>175%</b>	<b>75.6</b>	<b>10%</b>	<b>0.13%</b>
<i>Agriculture market support and direct payments</i>	279	87%	48.5	-18%	0.11%
<i>Rural development</i>	184	202%	13.7	53%	0.11%
<i>Both</i>	102	N/A	4.3	N/A	N/A
<i>Fisheries</i>	23	475%	9.1	1200%	1.89%
<b>Cohesion Policy</b>	<b>321</b>	<b>15%</b>	<b>155.7</b>	<b>-22%</b>	<b>0.27%</b>
<i>Cohesion 2007-13</i>	248	25%	124.0	-22%	0.23%
<i>Structural funds 2000-2006 (Cohesion fund included)</i>	73	-10%	31.8	-23%	0.95%
<b>Pre accession</b>	<b>42</b>	<b>27%</b>	<b>15.57</b>	<b>-65%</b>	<b>1.87%</b>
<i>Pre-accession assistance (2000-06)</i>	33	22%	14.4	-68%	51.14%
<i>Instrument for Pre-accession (2007-13)</i>	9	50%	1.2	300%	0.15%
<b>Direct expenditure</b>	<b>25</b>	<b>-14%</b>	<b>1.2</b>	<b>-40%</b>	<b>0.01%</b>
<b>Total expenditure</b>	<b>976</b>	<b>76%</b>	<b>248.1</b>	<b>-21%</b>	<b>0.19%</b>

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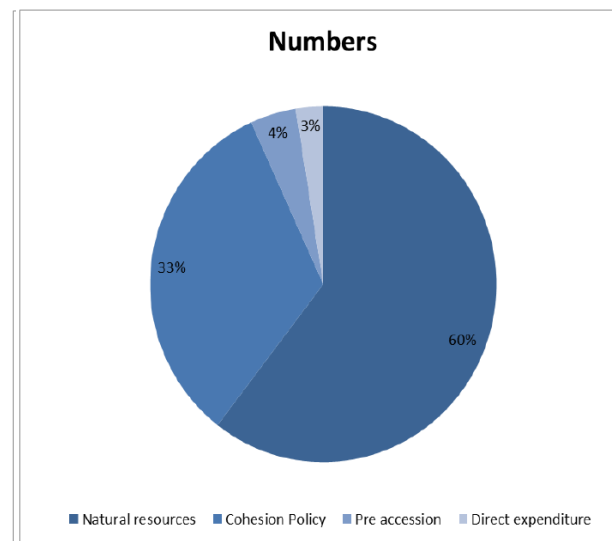
## What we know:

### 3) Annual Report on the Protection of the EU Financial Interests (European Commission) (2)

#### 3. FIGURES (follows from previous slide)

✓ Fraud by policy area

✓ Other irregularities



Budgetary sector (expenditure)	N° of irregularities not reported as fraudulent	Variation in relation to 2012	Involved amounts (in million EUR)	Variation in relation to 2012	As % of payments
<b>Natural resources</b>	<b>2 947</b>	<b>26%</b>	<b>202.3</b>	<b>58%</b>	<b>0.35%</b>
Agriculture market support and direct payments	1 031	0%	110.0	75%	0.25%
Rural development	1 748	42%	76.0	49%	0.59%
Other / N/A	35	289%	2.0	100%	
Fisheries	133	80%	14.3	10%	2.97%
<b>Cohesion Policy</b>	<b>4 672</b>	<b>15%</b>	<b>1 178.0</b>	<b>-49%</b>	<b>2.06%</b>
Cohesion 2007-13	4 223	31%	1 012.4	-36%	1.88%
Structural funds 2000-06 (Cohesion fund included)	449	-48%	165.6	-77%	4.95%
<b>Pre-accession</b>	<b>187</b>	<b>-15%</b>	<b>46.6</b>	<b>1%</b>	<b>5.60%</b>
Pre-accession assistance (2000-06)	148	-27%	45.4	1%	161.57%
Instrument for Pre-accession (2007-13)	39	129%	1.2	20%	0.15%
<b>Direct expenditure</b>	<b>2 220</b>	<b>35%</b>	<b>80.7</b>	<b>-32%</b>	<b>0.55%</b>
<b>Total expenditure</b>	<b>10 026</b>	<b>21%</b>	<b>1 507.6</b>	<b>-42%</b>	<b>1.15%</b>



MAGNITUDE





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# THEORETICAL MODEL

## A DANGEROUS CORRELATION



### **Fraudster's perspective:**

Bribes are a cost

### **ROI:**

Project cost inflation (artificial)



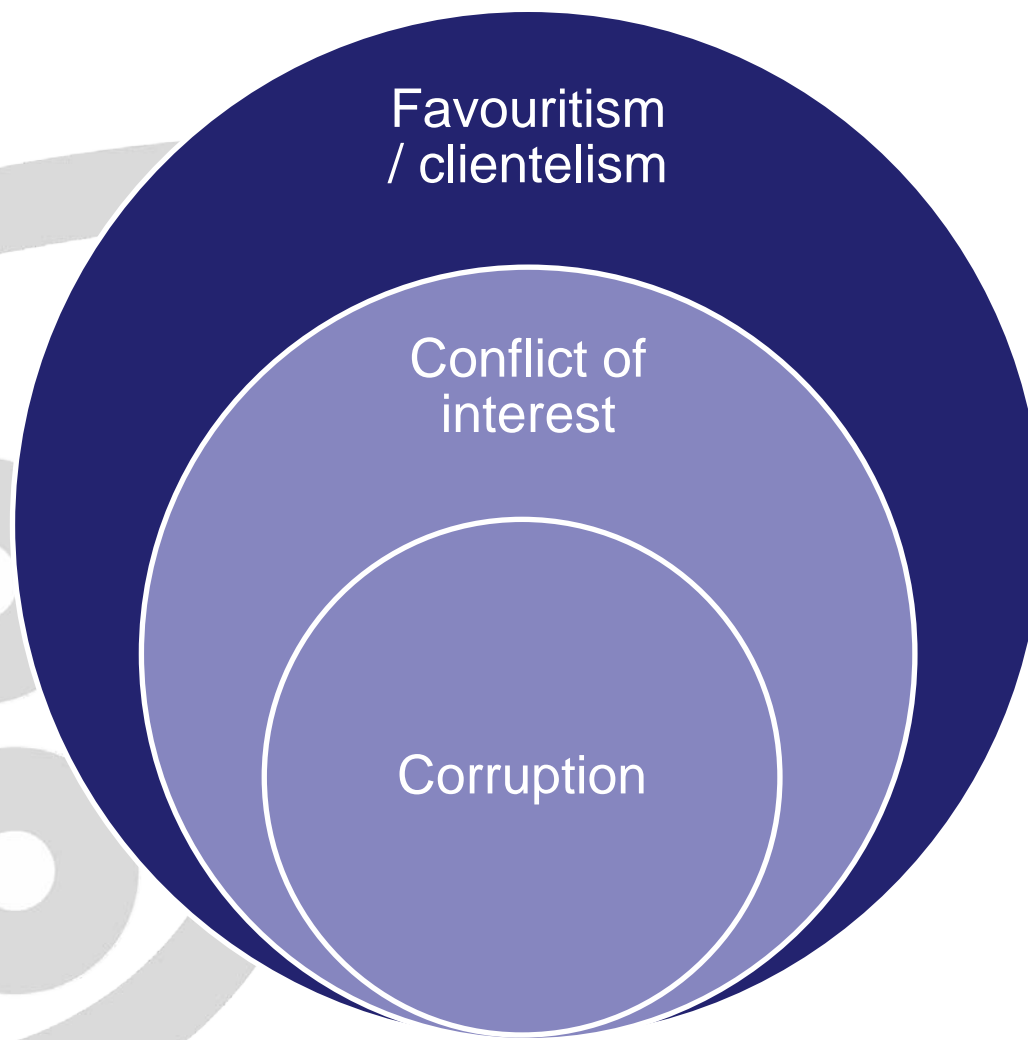


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## CORRUPTION *ET SIMILIA*

# THEORETICAL MODEL



# CORRUPTION AND FRAUD: SOCIAL NETWORK ANALYSIS

THEORETICAL MODEL



# FIGHTING CORRUPTION AND FRAUD IN THE EU: ACTIVITIES BY MEMBER STATES AND THE EC

## RESULTS

### 1. THE PROTECTION OF THE EU FINANCIAL INTERESTS AGAINST FRAUD – ARTICLE 325 TFUE

- ✓ Requirements are the same
- ✓ Implementation and approaches vary
- ✓ Preventive vs Repressive approach
- ✓ Different legal definitions concerning fraud affecting EU financial interests

### 2. COMMISSION / OLAF ACTION

- ✓ Commission anti-fraud strategy
- ✓ Regulation 883/2013 – New OLAF Regulation
- ✓ New legal framework for the period 2014-20
- ✓ Proposals for PIF Directive and EPPO

### 3. OPERATIONAL RESULTS MS

- ✓ Diversified approaches lead to different results
- ✓ Atomised reaction to fraud detection and prevention

### 4. OPERATIONAL RESULTS OLAF

- ✓ 16% of total irregular amounts detected in the EU

Sector	Recommended amount
	million EUR
Customs fraud	84.9
Structural funds	111.7
Agricultural funds	34.4
External aid	100.4
Centralised expenditure	4.5
New financial instruments	66.3
EU staff	0.6
<b>TOTAL</b>	<b>402.8</b>





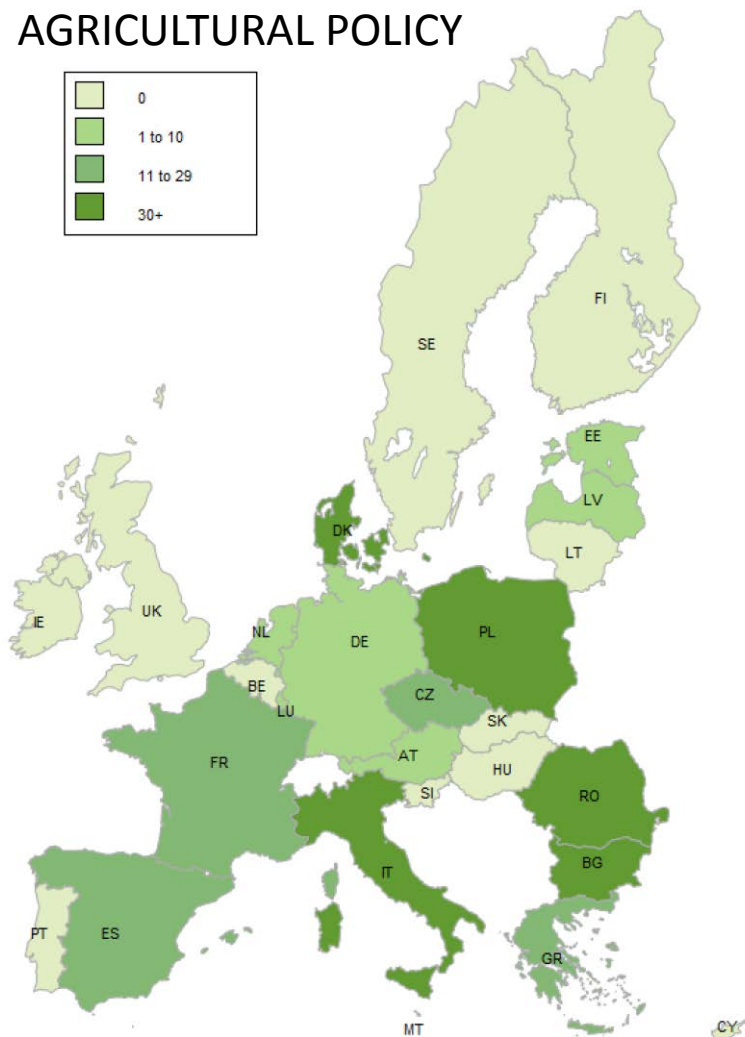
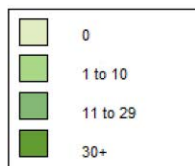
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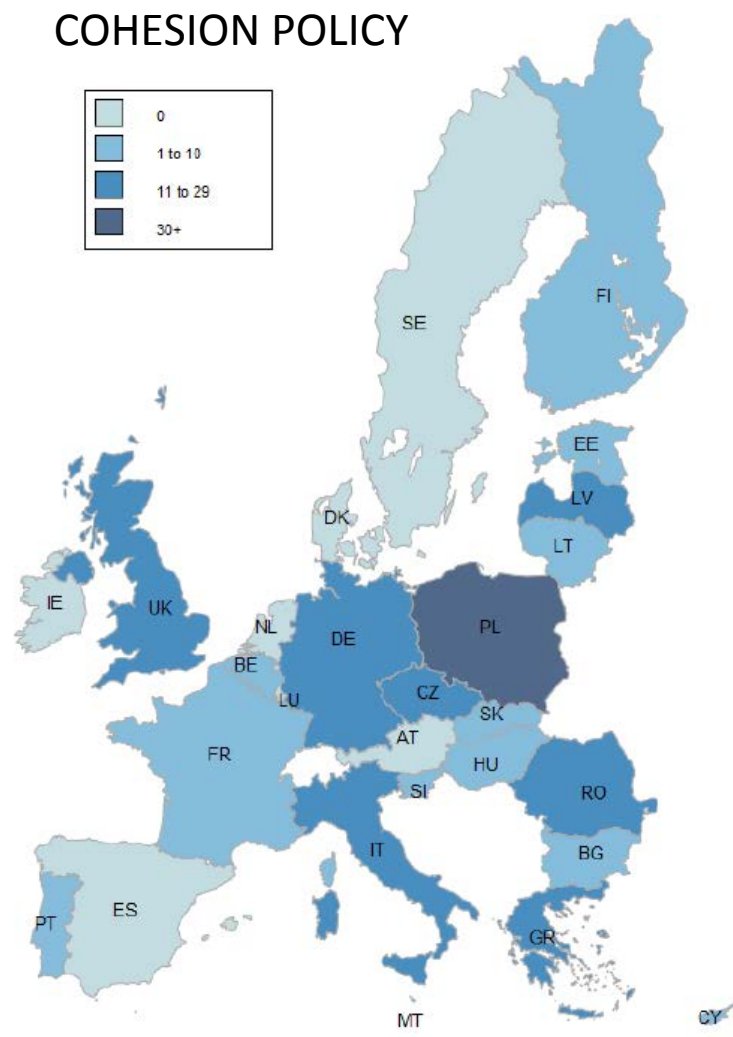
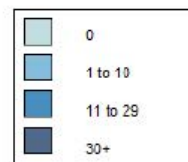
# FIGHTING CORRUPTION AND FRAUD IN THE UE: SHORTCOMINGS

RESULTS

## AGRICULTURAL POLICY



## COHESION POLICY



# FIGHTING CORRUPTION AND FRAUD IN THE UE: SHORTCOMINGS – SYSTEM WEAKNESSES

## RESULTS

### 1. AT EUROPEAN LEVEL: INCONSISTENT APPROACH BETWEEN MS

- ✓ Implementation and approaches vary
- ✓ Preventive vs Repressive approach
- ✓ Different legal definitions concerning fraud affecting EU financial interests
- ✓ Legal complexity

### 2. AT 'SYSTEM' LEVEL

- ✓ Plurality of actors
- ✓ Fragmentation of knowledge, know-how and competences
- ✓ Individual actions are inconsistent actions
- ✓ Plurality of operations to be verified
- ✓ Shrinking resources





# FIGHTING CORRUPTION AND FRAUD IN THE UE

## WHAT WE CAN DO: AWARENESS RAISING

ACTIONS





# FIGHTING CORRUPTION AND FRAUD IN THE UE

## WHAT WE CAN DO: A NEW LEGAL FRAMEWORK

### ACTIONS

#### 1. REGULATION N. 883/2013

- ✓ Establishment / designation of an Anti-Fraud Coordination Service
- ✓ In all 28 MS

#### 2. A NEW LEGAL FRAMEWORK FOR THE PERIOD 2014-20

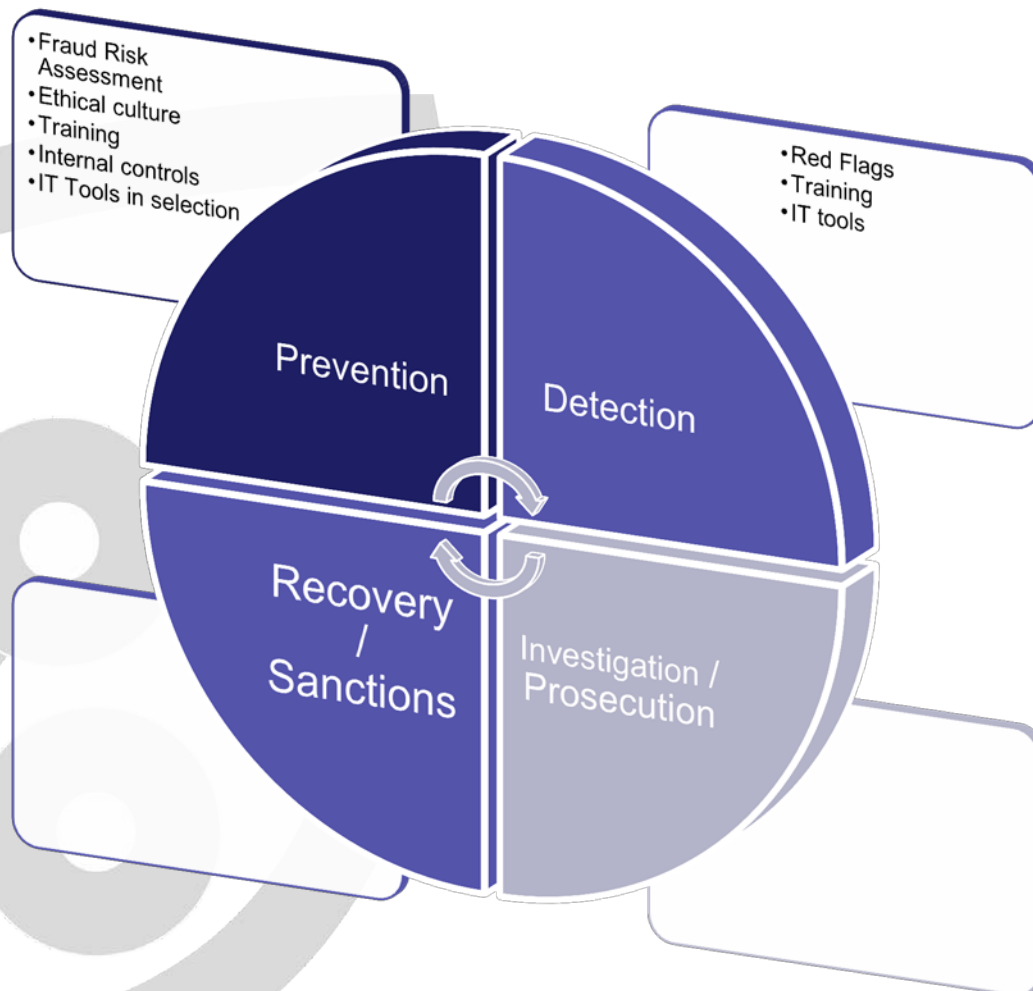
- ✓ MS to adopt all measures (proportionate) to ensure
  - effective protection of the financial interests of the Union
  - prevention against fraud
  - in areas with a higher level of risk



# FIGHTING CORRUPTION AND FRAUD IN THE UE

## WHAT WE CAN DO: TOOLS

ACTIONS



# FIGHTING CORRUPTION AND FRAUD IN THE UE

## WHAT WE CAN DO: STRATEGY

### ANTI-FRAUD MEASURES TO BE EMBEDDED IN A NATIONAL ANTI-FRAUD STRATEGY

#### ACTIONS

- ✓ Building of mutual trust and cooperation among the several layers
  - administrative
  - Law enforcement
  - Judicial authorities
  - National and European
- ✓ Definition of roles
- ✓ Identification of needs, objectives and actions to achieve them
- ✓ Facilitate transferring of knowledge via feedback to competent authorities
- ✓ Virtuous circle

