

Protection of the EU's financial interests in 2005: satisfactory performance

The Commission today published the 2005 annual report on the protection of the Communities' financial interests and the fight against fraud. This is an area in which responsibility is shared between the European Commission and the Member States. The report gives a positive overall assessment of the 2001-2005 overall strategic approach. It highlights the measures taken in 2005 by the Member States and the Commission to improve the effectiveness of the fight against fraud. It also gives statistics on the irregularities reported by the Member States. Among the report's salient features are a continued improvement in the quality and quantity of communications by the Member States, an increase in the total number of irregularities in the field of own resources, structural funds and PHARE and SAPARD funds, and a decrease in irregularities in agricultural and cohesion fund expenditure.

The impact of the action taken in the last five years to protect the Communities' financial interests has been satisfactory. Significant progress was made in the fields of legislation, the criminal justice dimension, cooperation with and between Member States and the prevention of and fight against fraud. Of all the measures planned for 2001-2005, 75% were carried out in full prior to 31 December 2005, while 9% were partially carried out within the stipulated timeframe and are ongoing, 14% were postponed to 2006 and 10% have been provisionally or definitively suspended. However, enhancement of the criminal justice dimension has slowed down pending the outcome of the Constitutional Treaty ratification process.

Results of the fight against fraud in 2005

Field	Number of irregularities notified (2005)	Estimated* % of fraud	Estimated financial impact (€ million)	% of total appropriations affected by estimated fraud
Own resources	4 982	20%	95.2	0.77%**
EAGGF Guarantee Section	3 193	13%	21.5	0.05%
Structural and Cohesion Funds	3 570	15%	205.0	0.53%
Pre-accession measures	331	18%	1.77	0.06%

* These estimates are based on information supplied by Member States concerning cases of suspected fraud (which has often not yet been established by a definitive judgment), and must be treated with caution.

** This percentage is calculated on the basis of an estimate of traditional own resources in the 2005 general budget, and not on the basis of accounts.

The report gives detailed figures by sector and by Member State. In the field of own resources, the number of cases of fraud and irregularities detected and reported (cases concerning more than EUR 10 000) increased by 55% compared with 2004, as did their financial impact. Cigarettes and sugar (export volumes) and textiles (origin declarations) remain the products most affected.

For agricultural expenditure, the number of irregularities reported declined slightly compared with 2004 (3 193 cases in 2005 against 3 401 in 2004) but their financial impact increased. The highest number of irregularities reported and the largest amounts concerned are in the rural development sector. The average amount per irregularity is highest in the fruit and vegetable sector.

The number of irregularities reported in 2005 concerning structural measures increased compared with 2004, although their financial impact declined. The highest number of irregularities and amounts reported concerned the European Regional Development Fund, but irregularities in the European Social Fund also increased significantly compared with 2004.

The number and quality of communications regarding pre-accession funds increased. For PHARE and ISPA the financial impact is greater for 2005. The sum concerned by reported SAPARD irregularities decreased. PHARE is the fund with the highest rate of suspected fraud.

Background

Community law requires Member States to notify the Commission of cases of fraud and other irregularities that are detrimental to financial interests in all areas of Community activity. However, the picture provided by the statistics is not necessarily complete, since the Commission depends on the communication of incidents by the Member States. It is important to distinguish between fraud and irregularities: fraud is defined as an irregularity committed intentionally, which constitutes a criminal act that only a court may define as such. The real financial impact of fraud can be measured only at the end of legal proceedings.

Sources

The report and its working papers – the first on the assessment of the 2004-2005 action plan and Member States' answers to the questionnaire, national recovery procedures and national certification of the accounts in the Member States, the second on statistics on irregularities communicated by the Member States – are available on OLAF's internet site:

http://ec.europa.eu/comm/anti_fraud/reports/index_en.html

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