



International conference:

Standing Up To State Capture: Innovative Methods to Investigate Fraud and Corruption in EU Funding for Agriculture

Corruptive practices in EU funding for agriculture: case studies in Romania

Sofia, 14 September 2018

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Corruption and extortion in agriculture; 2016 report

- The case studies presented have been elaborated as part of the project „*Countering Extortion and Racketeering in EU*“ (CEREU), funded by European Commission - General Directorate Home Affairs under the ISEC Programme 2007-2014 and implemented by the Center for the Study of Democracy, Instituto de Ciencias Forenses y de la Seguridad - Universidad Autónoma de Madrid, Transcrime - Università Cattolica del Sacro Cuore di Milano and Vitosha Research, with the support of Guardia Civil in Spain.
- The full report “**Extortion racketeering in the EU: vulnerability factors**”, 2016 may be downloaded from CSD website <http://www.csd.bg/artShow.php?id=17701>
- The report for Romania highlights extortion and corruption practices in agriculture in Romania. Three out of 16 case studies developed involve European subsidies(RO-A15, RO-A12, RO-A1).
- Collected data focused on official investigations and criminal files regarding corruption and extortion in agriculture. The cases were identified in the official records of the courts and relevant data was collected from court decisions and media reports.

Structural processes affecting agriculture in Romania

- Land restitution process of the post-communist period; 12 laws passed, numerous litigation, severe abuses and corruption, not entirely concluded.
- Tax evasion/shadow economy. The Romanian Ministry of Agriculture estimated that the tax gap due to evasion in the sectors of meat/livestock and fruits/vegetables amounts to approximately €400-600 million annually. The farmers do not have access to markets for their agricultural produce and prefer to sell it to intermediaries that are involved in tax evasion.
- Incomplete general cadaster (including agriculture cadaster): only 22% of the real estate registered. The farmland cadaster is free but the process is slow as land is overlapped, with two or more owners on the same surface.
- EU funding. Romanian Agency for Payments and Intervention in Agriculture (APIA) paid more than €7.6 billion from the European Agricultural Guarantee Fund (EAGF) in the period 2007 - 2013; EAGF primarily finances direct payments to farmers and measures regulating or supporting agricultural markets; The implementation of the programme was plagued by various schemes for fraud and embezzlement; the most common criminal arrangement was to **request and receive undue subsidies**.

Case no. A12

- The manager of an APIA local branch and his accomplices periodically requested sums of money from beneficiaries of EU support in exchange for being negligent in monitoring the EU subsidies approved for the victims' agricultural businesses. The manager of APIA local branch requested €2,500 from a farmer - who had several agricultural activities that were monitored by APIA - and after the farmer paid, the manager requested another €5,000 for the same purpose and then another €3,000. After the third demand the beneficiary reported the case and the APIA manager was caught red-handed.

Case no. A15

- The perpetrators (a mayor, a manager of APIA and an employee of APIA) requested large amounts of money from the farmers whom they threatened to **cancel lease contracts for pastures**. The victims received EU subsidies in the form of direct payments for the pastures leased from the mayor's office. One farmer refused to pay the amount requested by the mayor and the APIA officials. He complained to the police and one of the APIA officials was caught in flagrante delicto while taking 600 lei (€150) from the farmer, as partial payment.

Case no. A1

- The perpetrators (a mayor, a municipality cashier, the president of a Breeding Association and a lawyer) forced/threatened the farmers (members of the Breeding Association) to sign false declarations and used these documents to claim EU subsidies in the name of the Association. Afterwards, the extortionist embezzled from the Association the illegally received EU subsidies and divided the money among them. The farmers complied and signed the false documents but, after 7 months, only when the scandal became public, they submitted a complaint to the police.

Conclusions

- In all three cases, public officials used their powers (to approve requests, to oversee, to certify declarations, to manage organisations) to extort the beneficiaries of EAGF subsidies.
- The beneficiaries complained to the law enforcement authorities, but only after the situation became unbearable. The initial behavior is compliance because the beneficiaries do not trust law enforcement, have their own problems with law enforcement authorities (e.g. because of tax evasion, lack of compliance with safety measures or false declarations filed to avoid red tape).
- The individual farmers are vulnerable when exposed to the new information technologies and have limited access to information, largely dependent on the local authorities for guidance and supervision.
- The underlying measures to improve the system are agricultural cadastre and finalisation of the land restitution process.
- Other measures to reduce corruption include increasing transparency of the public agencies involved in agriculture (open data, appointments of APIA manager on merit not politics, informing farmers through seminars and consultancy), reducing red-tape, and separating the payment and inspection functions.

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