

Fraudulent and Corruptive Practices in EU funding – Agriculture

Sofia, 13 September 2018

Amira Szőnyi

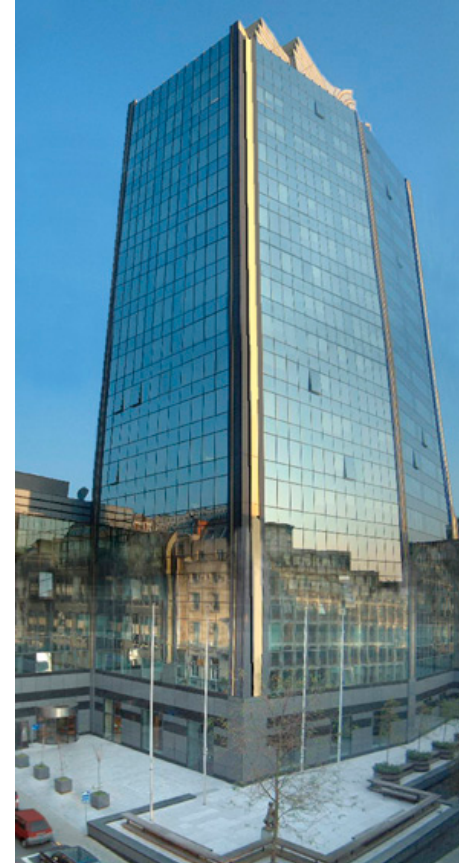
HoU - European Anti-Fraud Office (OLAF)

Unit B4 - Agricultural and Structural Funds II



OLAF (European Anti-Fraud Office)

- An administrative investigative Office of the European Union
- A Directorate-General of the European Commission
- Independent in conducting investigations
- Was founded in 1999
- Located in Brussels





OLAF mission

- to protect the financial interests of the European Union by investigating fraud, corruption and any other illegal activities
- to investigate serious matters related to the discharge of professional duties by members and staff of the EU institutions that could result in disciplinary or criminal proceedings
- to support the European Commission in the development and implementation of anti-fraud legislation and policies.



The European Common Agricultural Policy (CAP)

The CAP aims to:

- Support farmers and improve agricultural productivity, so that consumers have a stable supply of affordable food
- ensure that European Union (EU) farmers can make a reasonable living
- help tackling climate change and the sustainable management of natural resources
- maintain rural areas and landscapes across the EU
- There are around 11 million farms in the EU and 22 million people work regularly in the sector.



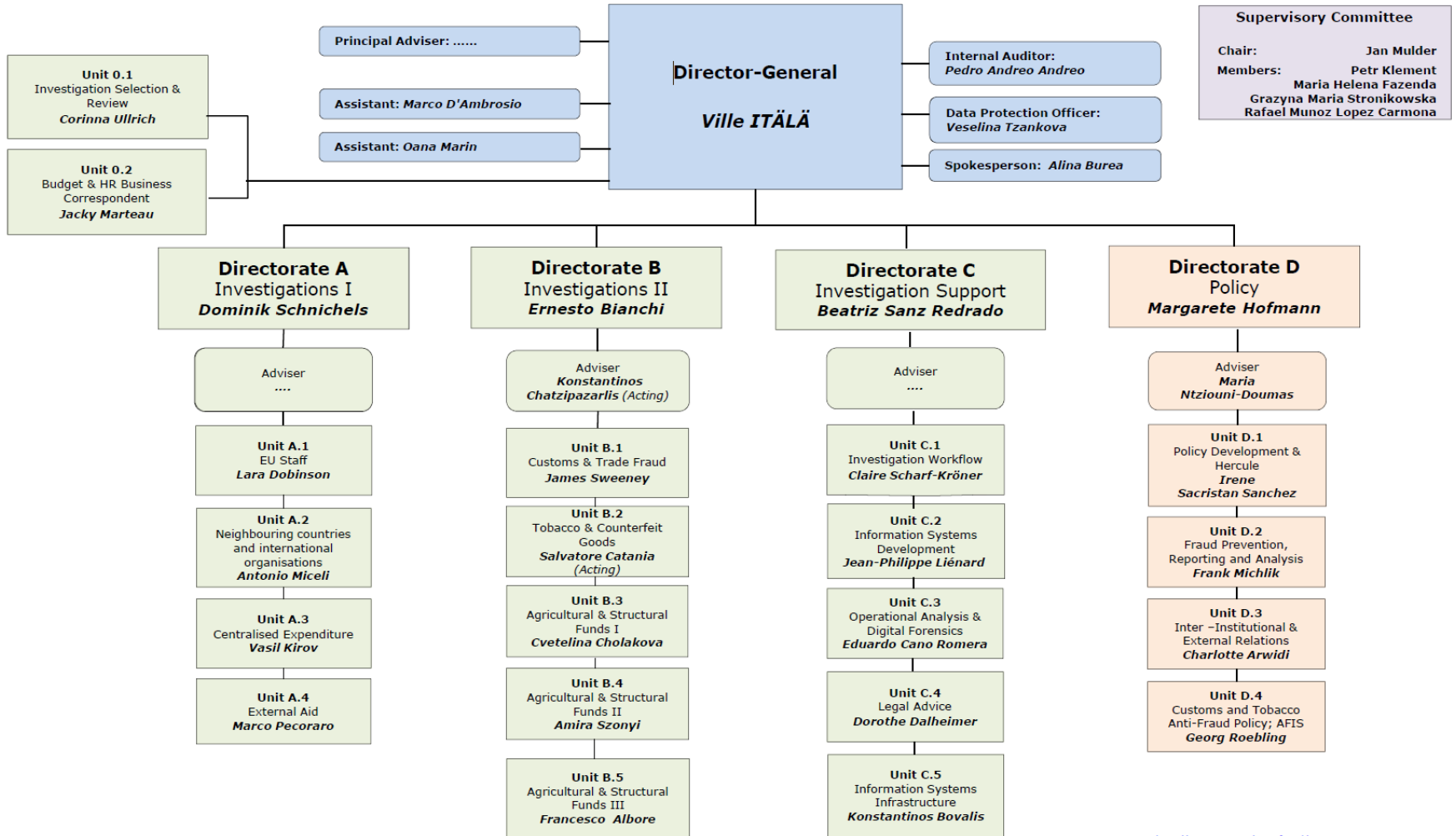
European budget 2018 for the Common Agricultural Policy

The overall 2018 budget for the EU amounts to €160,113 billion.

The European Union supports farmers with €58,82 billion in 2018.
The money finances:

- income support: €41,74 billion
- rural development measures: €14,37 billion
- market measures: €2,7 billion

ORGANISATION CHART OF OLAF



OLAF's organisation: two core activities

Investigative process

Investigations related to:

- ▶ EU staff
- ▶ Centralises expenditure
- ▶ Expenditure for external aid
- ▶ Evasion of import duties
- ▶ Contraband and counterfeit tobacco products
- ▶ Counterfeiting products other than tobacco
- ▶ **Agricultural Funds and Structural Funds**

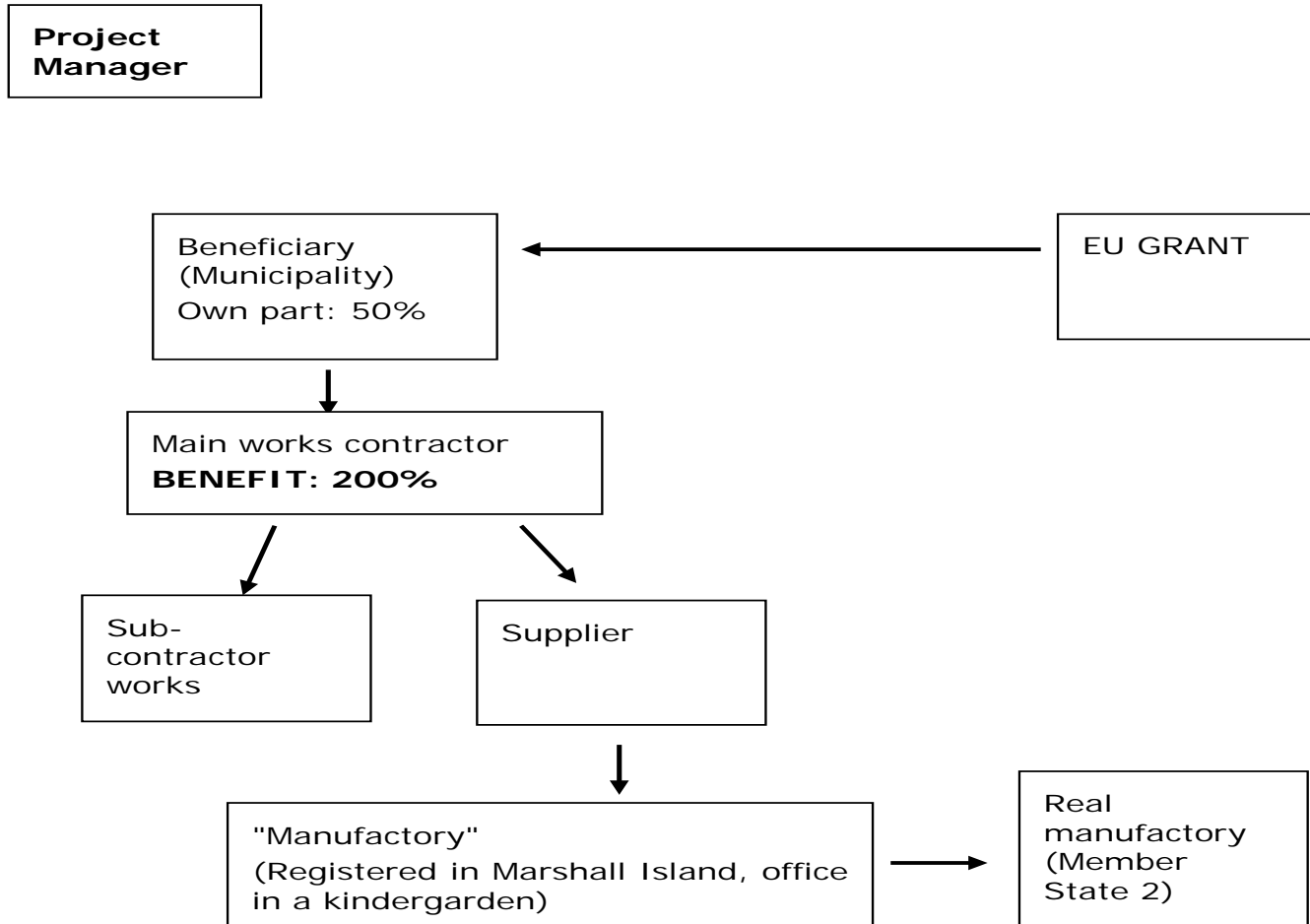
Policy making

- Policy development
- Fraud prevention
- External relations
- Funding (Hercule, Pericles)

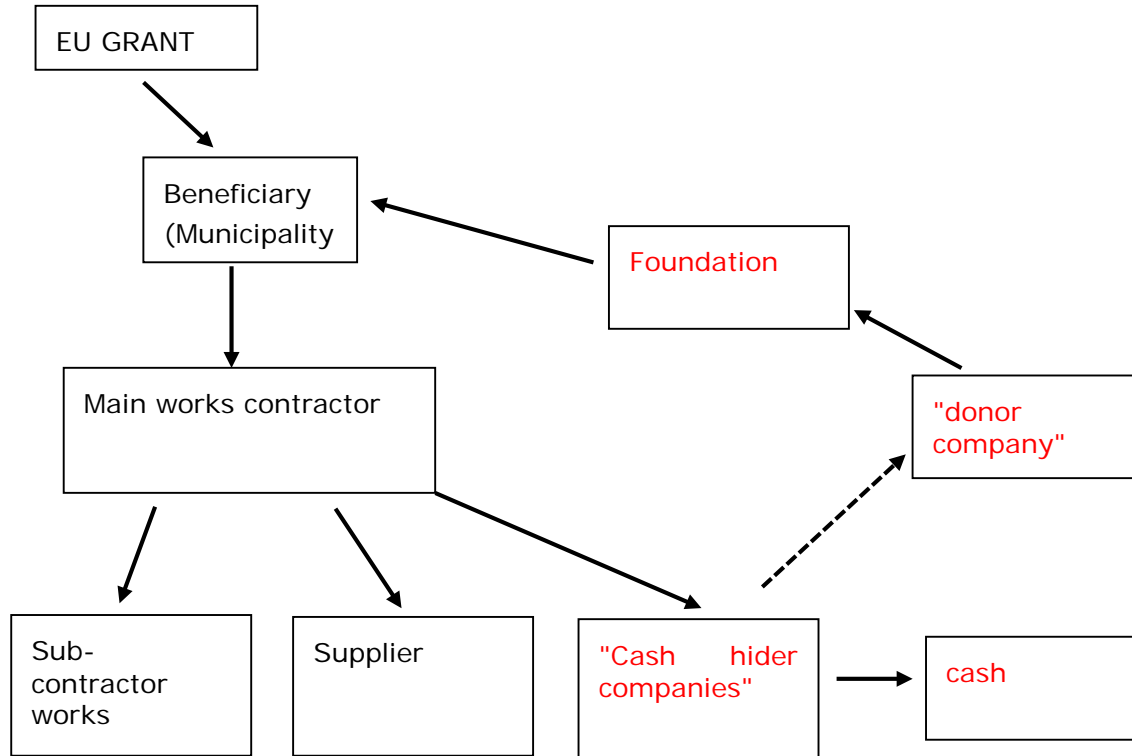
Outcome of investigations

- OLAF investigations lead to recommendations:
 - ▶ **Financial**: OLAF and the European Commission can decide to ask for a recovery of the misused funds
 - ▶ **Judicial**: OLAF will send its report to the relevant national authorities recommending legal action
 - ▶ **Disciplinary**: the case is referred to the authority having disciplinary powers in the relevant EU institution.
The European Commission operates a zero-tolerance policy
 - ▶ **Administrative**: OLAF can recommend changes to procedures (and to the EWS) to prevent fraud being repeated

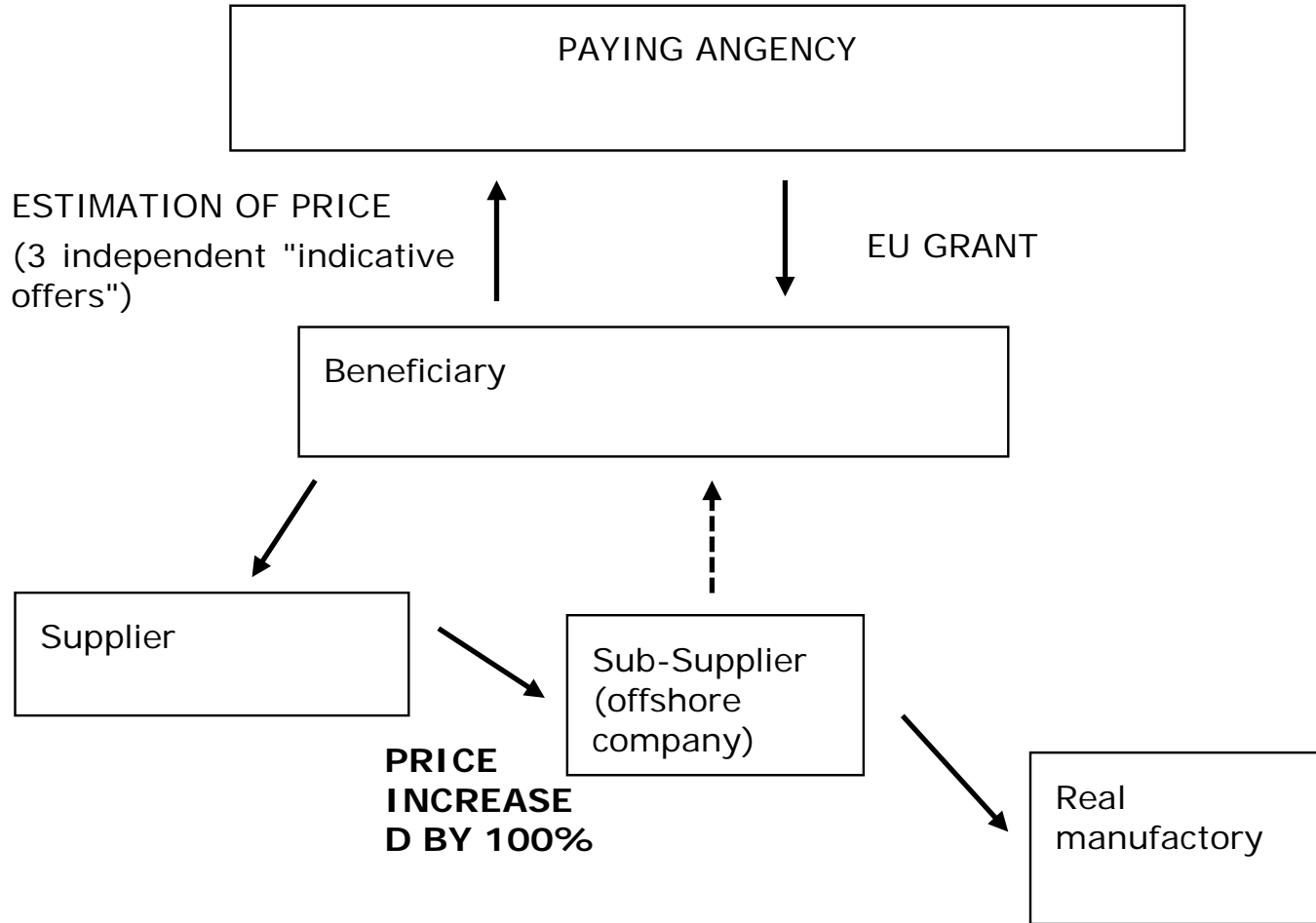
Case study: 1. playground projects



Case study: 1. playground projects



Case study: 2. Purchase of agricultural machines





Case studies 1 and 2. Possible improvements at policy level

- Better verification of the own part
- Better verification of the market price
- Cross check of the price estimation and the procurement procedures in similar projects
- Exclusion of companies with no transparent ownership structure not only as beneficiaries, but also as suppliers, contractors

Case study: 3. Direct payments

- During several years, a farmer received payments under the Single Area Land Scheme for a land rented from the Ministry of Defence of a Member State
- The only income of the company was generated by the sale of 345 sheep.
- After each EU payment received, the amount was withdrawn in cash.
- The farmer maintained the land in "good agricultural and environmental condition".
- The farmer had no justification of the right to use the land for part of the period concerned
- The land was used for military training purposes (shooting training area) more than 160 days/year



Case study 3. Possible improvements at policy level

- Better verification of the justification to use the land
- Better verification of the eligibility of the land – is the land appropriate for agricultural activities?
- Better definition of "farmer" and of "agricultural activity"



Thank you

Amira.Szonyi@ec.europa.eu
OLAF website: <http://olaf.europa.eu>