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**COMMISSION STAFF WORKING DOCUMENT**

**Statistical evaluation of irregularities reported for 2018: own resources, agriculture, cohesion and fisheries policies, pre-accession and direct expenditure**

*Accompanying the document*

**REPORT FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT AND  
THE COUNCIL**

**30th Annual Report on the Protection of the European Union's financial interests - Fight  
against fraud - 2018**

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#### 4. THE EUROPEAN STRUCTURAL AND INVESTMENT FUNDS (ESIF)

Over half of EU funding is channelled through the 5 European structural and investment funds (ESIF). They are jointly managed by the European Commission and the EU countries.

The purpose of all these funds is to invest in job creation and a sustainable and healthy European economy and environment.

The ESIF mainly focus on 5 areas:

- research and innovation;
- digital technologies;
- supporting the low-carbon economy;
- sustainable management of natural resources;
- small businesses.

The European structural and investment funds are:

- **European regional development fund (ERDF)** – promotes balanced development in the different regions of the EU;
- **European social fund (ESF)** - supports employment-related projects throughout Europe and invests in Europe's human capital – its workers, its young people and all those seeking a job;
- **Cohesion fund (CF)** – funds transport and environment projects in countries where the gross national income (GNI) per inhabitant is less than 90% of the EU average. In 2014-2020, these are Bulgaria, Croatia, Cyprus, the Czech Republic, Estonia, Greece, Hungary, Latvia, Lithuania, Malta, Poland, Portugal, Romania, Slovakia and Slovenia;
- **European agricultural fund for rural development (EAFRD)** <sup>1</sup> – focuses on resolving the particular challenges facing EU's rural areas;
- **European maritime and fisheries fund (EMFF)** – helps fishermen to adopt sustainable fishing practices and coastal communities to diversify their economies, improving quality of life along European coasts.

Due to the rules of functioning of the EMFF and (European Fisheries Fund (EFF)), which are very similar to those of the other structural funds, irregularities reported by Member States in relation to fisheries policies are treated in this Section, jointly with the funds for cohesion and economic convergence.

All these funds are managed by the EU countries themselves, by means of partnership agreements. Each country prepares an agreement, in collaboration with the European Commission, setting out how the funds will be used during the current funding period 2014-2020. Partnership agreements lead to a series of investment programmes channelling the funding to the different regions and projects in the policy areas concerned.

For 2014-2020, EUR 454 billion<sup>2</sup> in ESIF funding has been allocated to promote job creation and growth. National co-financing is expected to amount to at least EUR 183 billion, with total investment reaching EUR 637 billion.

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<sup>1</sup> Expenditure through EAFRD is considered in Section 3 'Common Agricultural Policy', when focusing on rural development.

<sup>2</sup> In 2011 prices.

These resources contribute to:

- Strengthening Research and Innovation;
- Supporting the digital single market;
- Supporting the growth of Europe's small and medium-sized enterprises (SMEs);
- Supporting the energy union and the low-carbon economy;
- Investing in environmental protection and resource efficiency;
- Climate change and risk prevention;
- Supporting sustainable transport;
- Promoting sustainable and quality employment;
- Promoting social inclusion;
- Investing in education and training;
- Support youth employment;
- Strengthening institutional capacity and efficient public administration.

This Section of the report focuses on the programming period (PP) 2007-2013<sup>3</sup> and starts analysing the PP 2014-2020, mainly through a comparison with the irregularities reported during the first 5 years of implementation of the PP 2007-2013.

#### 4.1. General analysis

In general, Member States are requested to communicate irregularities with financial amounts involved above EUR 10 000.<sup>4</sup> However, a number of cases with irregular financial amounts equal or below this threshold have been reported by several Member States. Table CP1 provides an overview by Member State. Furthermore, Member States reported cases with financial amounts involved equal to zero. This may be due to the fact that the competent national authority did not have enough information yet to quantify the irregular amounts involved. However, this should not be the case once the case is closed or expired. Table CP1 provides also an overview by Member State of the closed/expired cases, for which the national authorities have not mentioned the irregular financial amounts involved.

It is not clear why there are some Member States that reported much more *'below-the-threshold'* irregularities than others. It should be considered that an irregularity may consist of irregular or fraudulent operations which are interlinked and whose total financial impact exceeds EUR 10 000, even though each operation remains below the threshold.<sup>5</sup> In this case, a Member State may have chosen to report these irregularities separately, while other Member States may have combined them in one irregularity. Another explanation may relate to irregularities that were reported because the initial estimation of the irregular financial amounts involved exceeded EUR 10 000, but subsequent updates lowered these financial

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<sup>3</sup> For a description of the objectives of the programming period 2007-13, see the Commission Staff Working Document *'Statistical evaluation of irregularities reported for 2014 Own Resources, Natural Resources, Cohesion Policy, Pre-accession and Direct expenditure'*, Section 5, pages 48-49.

<sup>4</sup> When inputting a case, the contributor is requested to specify the currency in which the amounts are expressed. Where the value of this field is 'EUR' or the field has been left blank, no transformation is applied. Where this field has been filled with another currency, the financial amounts involved in the irregularity have been transformed on the basis of the exchange rates published by the ECB at the beginning of 2019.

<sup>5</sup> See Sections 8.1 and 9.3 of the *'Handbook on Reporting of Irregularities in shared management'*.

amounts below the threshold. Furthermore, more than 60% of the 'below-the-threshold' irregularities were still open at the cut-off date<sup>6</sup>; the competent national authority might have decided to report them anyway, pending the exact quantification of the financial amount involved. Other explanations may refer to mis-typing or mis-interpretation of the reporting rules.

As shown by Table CP1, there were about 2 200 irregularities (less than 7% of all the relevant irregularities) that taken separately were associated to a financial amount equal or below EUR 10 000. In order to make use of all available information reported by the Member States, all these irregularities are considered in the analysis for this Report. However, Table CP1 provides the reader with additional information to put into context data about detections in different Member States<sup>7</sup>.

Table CP1: Number of irregularities reported during 2014-2018 with a 'below-the-threshold' financial amount involved

Member State	Irregularities not reported as fraudulent		Irregularities reported as fraudulent	
	<= EUR 10000	EUR 0 <sup>(2)</sup>	<= EUR 10000	EUR 0 <sup>(2)</sup>
	(1)	N	(1)	N
AT	9	2	1	0
BE	20	3	3	0
BG	5	0	0	0
CY	1	0	1	0
CZ	382	6	5	1
DE	6	4	0	0
DK	2	0	2	0
EE	29	2	0	0
ES	20	0	0	0
FI	0	5	0	0
FR	1	0	0	0
GR	4	1	0	0
HR	1	0	0	0
HU	1	0	1	0
IE	65	0	0	0
IT	6	9	0	0
LT	12	2	0	0
LV	8	0	10	0
NL	3	107	0	0
PL	68	1	1	0
PT	0	0	9	0
RO	4	0	0	0
SE	2	0	1	1
SI	1	0	1	0
SK	14	0	3	0
UK	1,396	2	10	0
<b>TOTAL</b>	<b>2,060</b>	<b>144</b>	<b>48</b>	<b>2</b>

<sup>(1)</sup> Irregularities for which the financial amount involved was equal to or less than EUR 10000 (excluding irregularities for which the financial amount involved was 0)

<sup>(2)</sup> Closed or expired irregularities for which the financial amount involved was 0

In comparison with the other budget sectors, the analysis of the cohesion policy poses a higher level of complexity, as information refers to different PPs, which are regulated by different rules.

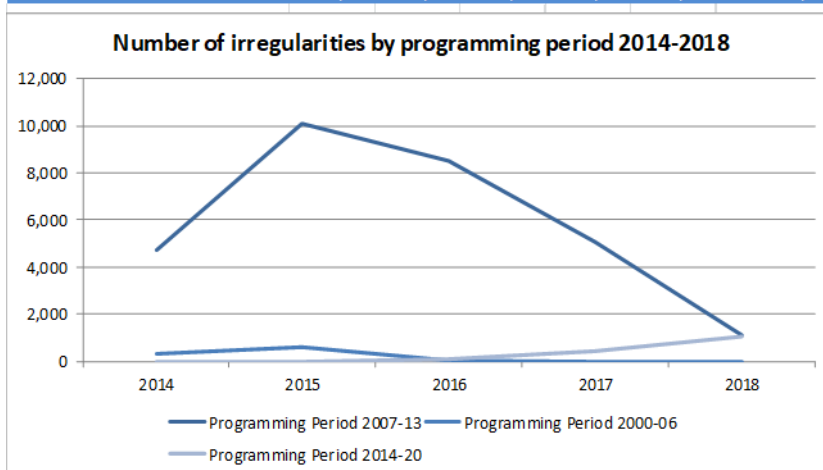
Table CP2 offers an overview of the number of irregularities (both fraudulent and non-fraudulent) reported from 2014 to 2018, by PP and fund.

<sup>6</sup> Data for this analysis has been downloaded from the Irregularities Management System (IMS) on 15/3/2019.

<sup>7</sup> Luxembourg and Malta did not report any irregularity below the threshold.

Table CP2: Number of irregularities reported between 2014 and 2018 by programming period - Cohesion and Fisheries Policies

FUND / PROGRAMMING PERIOD	REPORTING YEAR					TOTAL PERIOD
	2014	2015	2016	2017	2018	
	N	N	N	N	N	
Programming Period 2014-20	0	2	119	466	1,072	1,659
CF	0	0	2	38	115	155
ERDF	0	1	16	207	678	902
ESF	0	1	99	218	258	576
EMFF	0	0	2	3	21	26
Programming Period 2007-13	4,717	10,082	8,515	5,069	1,121	29,504
CF	278	464	438	414	90	1,684
ERDF	3,018	7,980	6,406	3,655	771	21,830
ESF	1,334	1,447	1,409	807	230	5,227
EFF	87	191	262	193	30	763
Programming Period 2000-06	330	599	61	12	9	1,011
CF	33	6	2	1	0	42
ERDF	196	567	49	5	8	825
ESF	60	19	4	4	1	88
FIFG	0	1	0	0	0	1
GUID	41	6	6	2	0	55
Programming Period 1994-1999	3	1	1	0	0	5
ERDF	1	1	1	0	0	3
GUID	2	0	0	0	0	2
<b>TOTAL</b>	<b>5,050</b>	<b>10,684</b>	<b>8,696</b>	<b>5,547</b>	<b>2,202</b>	<b>32,179</b>



With reference to PP 2007-2013, Table CP2 does not suggest any major deviation from known trends and patterns in detection and reporting of irregularities<sup>8</sup>, with the exception of year 2015, when the number of reported irregularities doubled, before decreasing in the following years. The increase in 2015 was for the greatest part linked to the reporting of irregularities by one Member State (Spain), which covered about half of the total number of irregularities reported in 2015. This Spanish anomalous increase was due to delayed reporting of irregularities detected throughout the programming period. If they were excluded, the number of reported irregularities would still be higher than in 2014. However, this increase would be more in line with the programming cycle of the funds.

A minor, yet still striking increase in reporting was observed in relation to the previous PP 2000-06. The number of irregularities almost doubled from 2014 to 2015. In this respect, the explanation is belated reporting by another Member State (Ireland).

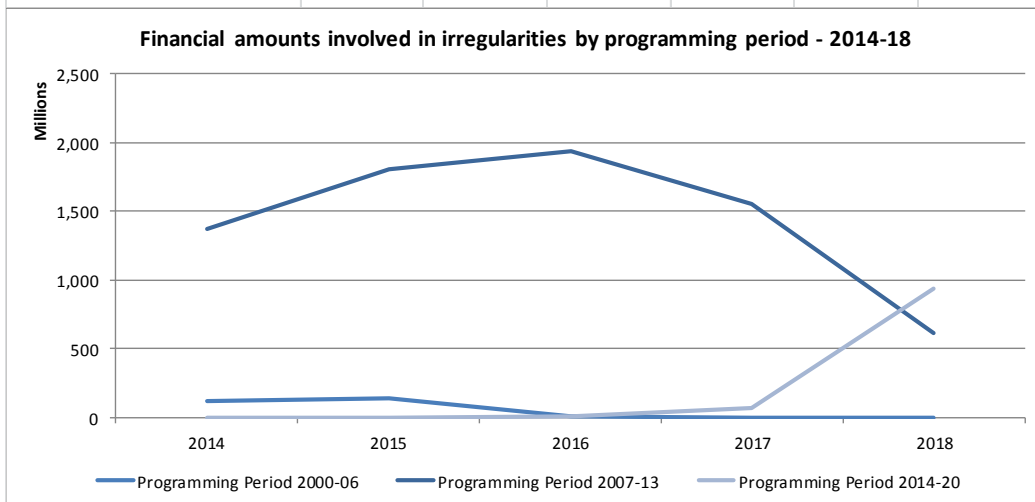
Table CP3 offers an overview by PP and fund of the financial amounts involved in irregularities detected and reported to the EC over the last five years. While the number of

<sup>8</sup> When support is based on multi-annual programmes, it can be expected that the number of irregularities increases around the end of the eligibility period and decreases afterwards, when routine controls are less intense. In general, it should be kept in mind that increases in the number of reported irregularities can be influenced by detection capacity building by the Member State.

reported irregularities peaked in 2015 and significantly decreased in the following years, the involved financial amounts were stable in 2016, before declining at a much slower pace. This trend implied an accelerating raise of the average financial amounts (AFA) (+23% in 2016, +30% in 2017 and +141% in 2018).

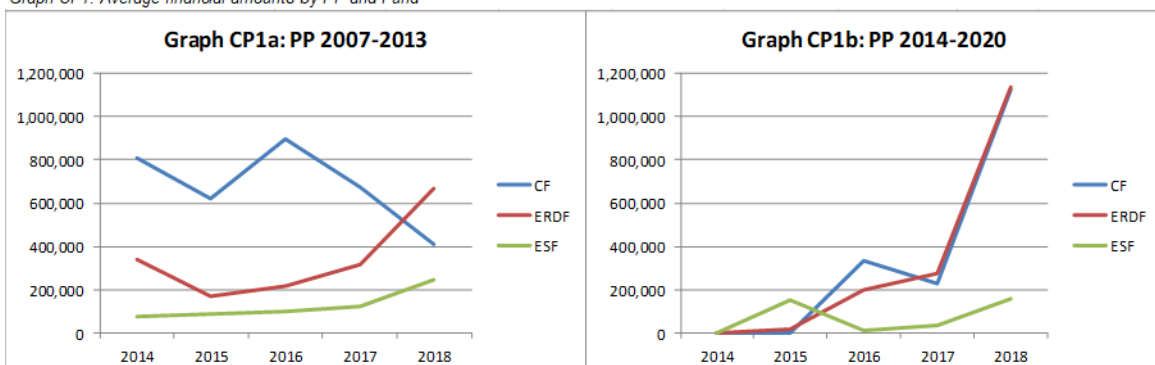
Table CP3: Financial amounts related to irregularities reported between 2014 and 2018 by programme period - Cohesion and Fisheries Policies

FUND / PROGRAMMING PERIOD	REPORTING YEAR					TOTAL PERIOD
	2014	2015	2016	2017	2018	
	EUR	EUR	EUR	EUR	EUR	EUR
Programming Period 2014-20	0	166,544	5,180,422	73,907,137	942,576,224	1,021,830,327
CF	0	0	671,052	8,740,375	129,331,113	138,742,540
ERDF	0	15,872	3,152,621	57,478,778	769,877,488	830,524,759
ESF	0	150,672	1,188,821	7,410,101	41,591,511	50,341,105
EMFF	0	0	167,928	277,883	1,776,112	2,221,923
Programming Period 2007-13	1,369,377,587	1,812,174,518	1,938,914,144	1,550,856,377	613,285,853	7,284,608,479
CF	224,005,963	288,422,339	393,673,569	280,010,143	37,148,603	1,223,260,617
ERDF	1,031,337,752	1,372,948,645	1,377,044,647	1,149,265,749	516,526,794	5,447,123,587
ESF	105,947,027	129,243,272	139,879,651	98,258,959	57,120,804	530,449,713
EFF	8,086,845	21,560,262	28,316,277	23,321,526	2,489,652	83,774,562
Programming Period 2000-06	123,654,219	136,379,227	12,438,335	4,038,015	3,702,428	280,212,224
CF	13,871,745	1,332,039	3,412,302	1,915,597	0	20,531,683
ERDF	96,859,496	85,124,212	5,252,772	827,746	3,675,788	191,740,014
ESF	7,642,494	48,459,535	137,061	1,228,806	26,640	57,494,536
FIFG	0	857,372	0	0	0	857,372
GUID	5,280,484	606,069	3,636,200	65,866	0	9,588,619
Programming Period 1994-1999	229,661	474,024	6,430	0	0	710,115
ERDF	12,110	474,024	6,430	0	0	492,564
GUID	217,551	0	0	0	0	217,551
<b>TOTAL</b>	<b>1,493,261,467</b>	<b>1,949,194,313</b>	<b>1,956,539,331</b>	<b>1,628,801,529</b>	<b>1,559,564,505</b>	<b>8,587,361,145</b>



Graphs CP1 provide the details about the trend of AFAs for CF, ERDF and ESF in PP 2007-2013 and PP 2014-2020.

Graph CP1: Average financial amounts by PP and Fund



With reference to the Cohesion Fund, the financial amounts involved in irregularities related to PP 2007-2013 significantly increased in 2016 (+37%) while the financial amounts in 2018 were pushed by irregularities related to PP 2014-2020. The strong increase in 2016 was mainly due to one irregularity reported by Slovakia, where financial amounts exceeded EUR 150 million. Similarly, 36% of the financial amounts reported in 2018 with reference to PP 2014-2020 was involved in one irregularity detected in Slovakia.

With regard to the ERDF, there was a steep upward trend in the AFAs of the irregularities both in PP 2007-2013 (+25% in 2016, +46% in 2017 and +113% in 2018) and 2014-2020 (+309% in 2018). Taking into account the last 5 years as a whole, the AFA involved in irregularities related to PP 2014-2020 was much higher than that related to PP 2007-2013, but it is based on less irregularities and can be more easily affected by a low number of 'exceptional' cases; nearly EUR 600 million out of about 830 million (see Table CP3) were related to just 2 cases. Considering all cases reported during 2014-2018, the AFA of cases related to the ERDF was less than half of that of CF cases.

Concerning the ESF, in 2018, for PP 2007-2013, there were persisting high financial amounts reported despite a steep decrease in the number of irregularities reported (+104% in the AFA) and a strong increase of the financial amounts reported in the same year for PP 2014-2020 (+374% in the AFA). However, concerning PP 2007-2013, this is mainly due to one irregularity reported by Portugal, representing about 60% of all relevant financial amounts reported in 2018. Data for PP 2014-2020 is less affected by single cases, but one irregularity accounted for about 30% of all relevant financial amounts reported in 2018 (three irregularities accounted for about 50%).

Given the above, even if data on AFAs might point to some improvement in the targeting of control activities (see Graphs CP1), the trend of the financial amounts must always be assessed while bearing in mind that it can be strongly influenced by single observations of significant value. During 2014-2018, cases which involved over EUR 5 million represented less than 1% in terms of numbers, but 44% in terms of amounts.<sup>9</sup> 71% of these cases concerned the ERDF, while 21% concerned the Cohesion Fund. In such a context, where a significant portion of the financial amounts is linked to a relatively low number of cases, fluctuations are more likely and should not be misinterpreted.

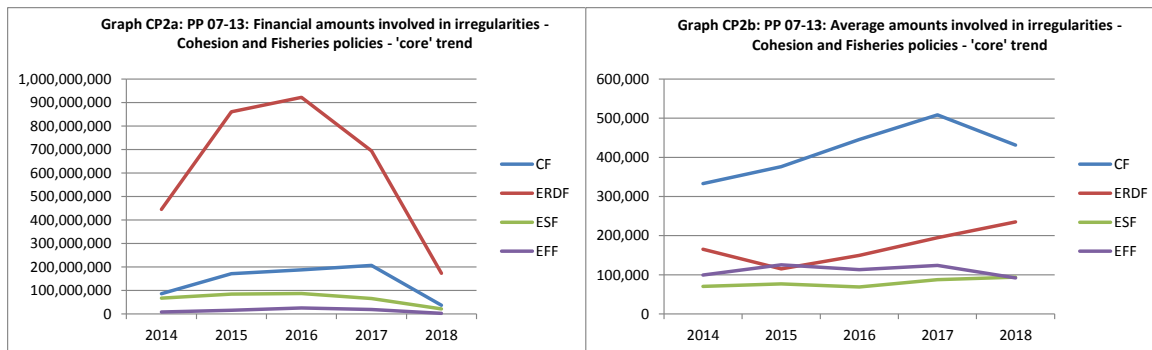
In an attempt to isolate the 'core' trends, Graphs CP2 show the financial amounts and AFAs during the last five years, where the first and the last percentiles are excluded from the analysis<sup>10</sup>. In Graphs CP2, PP 2007-2013 and PP 2014-2020 are kept separate. For PP 2007-2013, the AFAs involved in cases related to ESF and EFF have been relatively stable during the last five years, while those involved in irregularities related to CF and ERDF have been following upward trends.

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<sup>9</sup> There were just 32 cases over EUR 20 million accounting for 24% of the financial amounts.

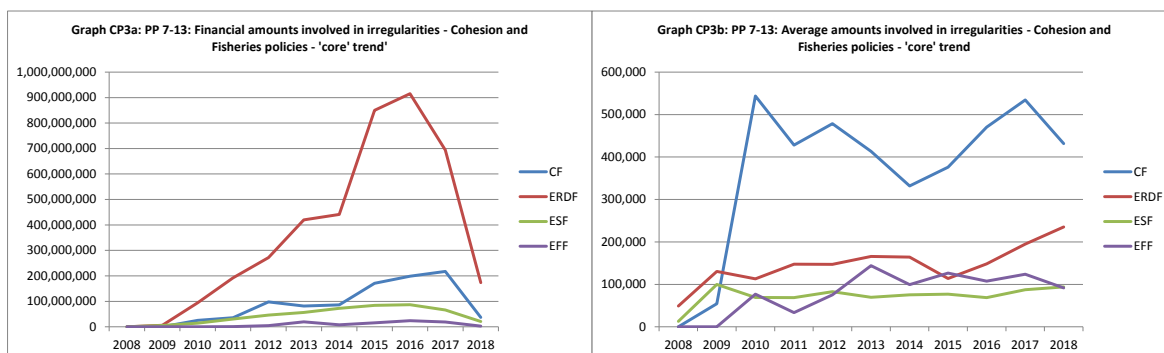
<sup>10</sup> Only cases with financial amounts involved greater than EUR 10 000 are considered (about reporting of cases below the reporting threshold, see first part of this Section). The remaining cases reported in 2014-2018 were split by fund and then sorted by financial amount involved in the irregularity. Then, separately for each fund, the largest (1%) and the smallest (1%) of these cases were excluded.





Extending the analysis to the whole programming period (Graph CP3), it can be noticed that:

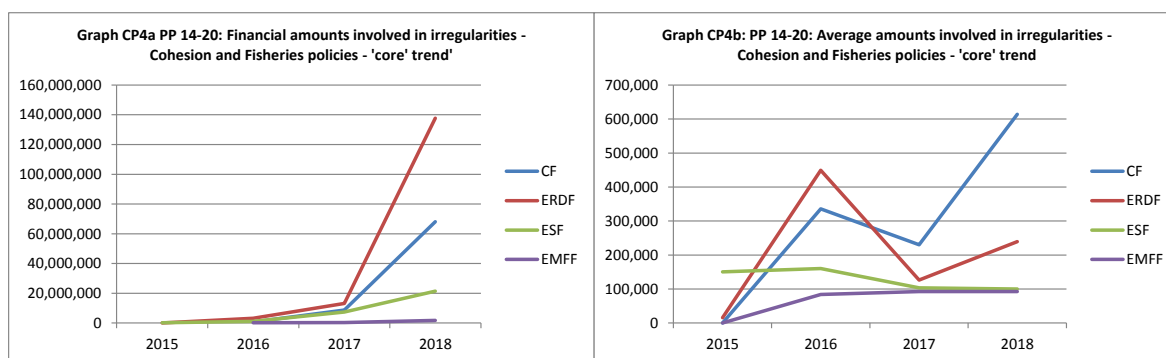
- the rising trend of CF AFA started in 2015 after four years when it had continuously decreased, with the exception of 2012, from the peak it had reached during the fourth year of implementation (2010);
- The ERDF AFA followed a more stable rising trend, which accelerated since 2016 and has not reverted yet;
- during the third year of implementation (2009), the ESF AFA jumped to the level where it remained quite stable until 2018;
- The EFF AFA continuously rose (with the exception of 2011) until the seventh year of implementation (2013) and then it remained quite stable until 2018.



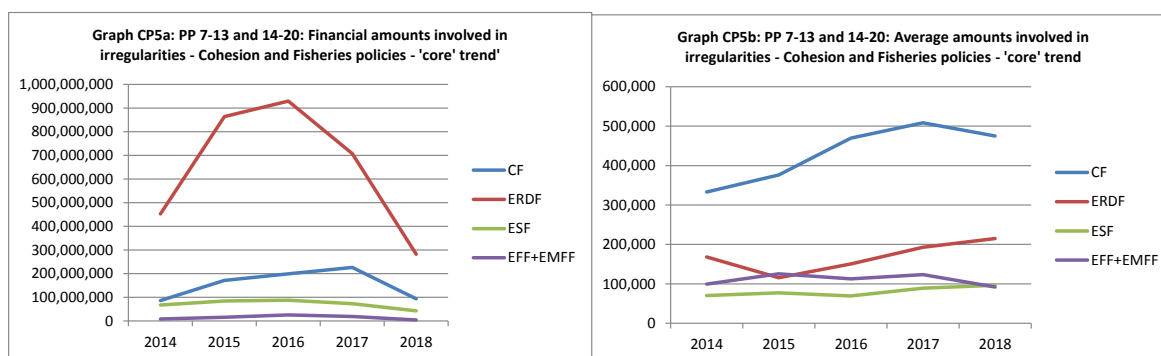
Graph CP4b suggests similar patterns in relation to PP 2014-2020:

- CF AFA has experienced a sharp rise, which differently from PP 2007-2013 briefly stopped in 2017 before strongly resuming in 2018. If the PP 2007-2013 patterns are confirmed for this programming period, as the number of controls increase towards a peak that could be reached in 2022-2023, the CF AFA may be expected to decrease, but improvements in terms of risk analysis for targeting controls could induce different patterns. So far, apart from 2017, CF AFA for PP 2014-2020 has been higher than in the corresponding years of the previous programming period;
- The trend of ERDF AFA is similar to that recorded for PP 2007-2013, even if the ups and downs have been more 'extreme' for PP 2014-2020. However, it should be considered that, for example, the peak for ERDF in 2016 was just based on 7 irregularities. 2018 is the fifth year of implementation. At the same time of PP 2007-2013, a rising trend started that has not stopped yet (with the exception of 2015). Improvements in terms of risk analysis for targeting controls might sustain a similar pattern also for the current programming period. So far, ERDF AFA for PP 2014-2020 has been higher than that for the previous programming period;

- ESF and EMFF AFA follow more stable patterns.

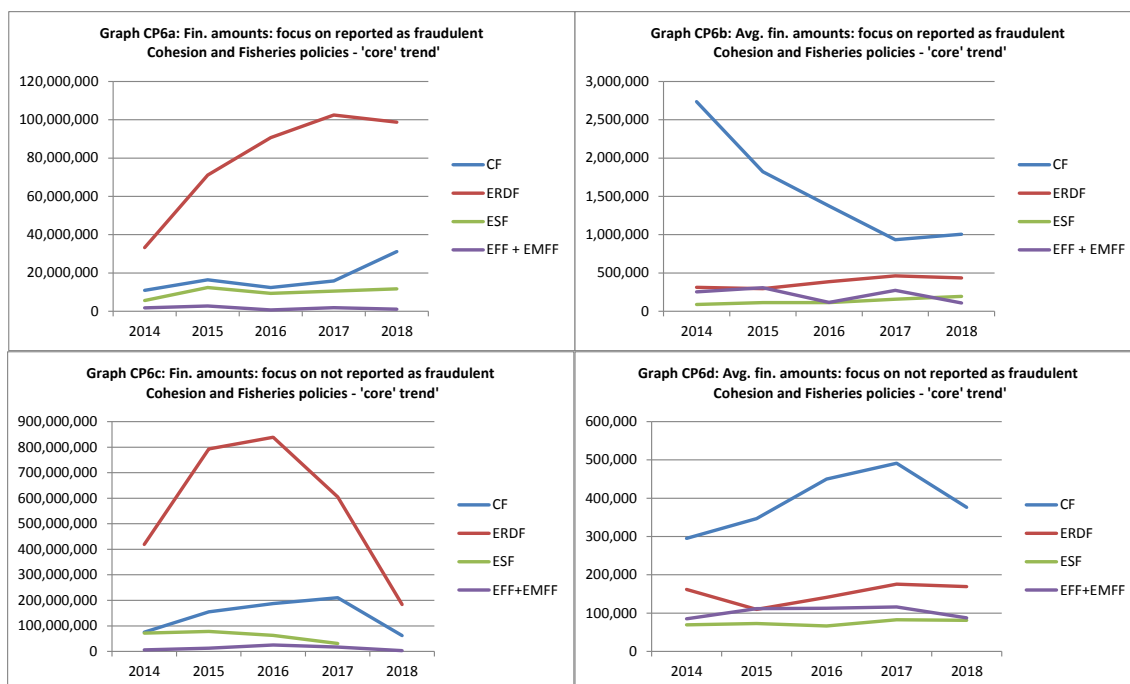


For the years 2014-2018, PP 2007-2013 and PP 2014-2020 are considered together in Graphs CP5, which confirm the rise of the AFAs of irregularities related to CF and ERDF.



Graphs CP6 deepen the analysis of the AFAs, making the distinction between irregularities reported as fraudulent and not reported as fraudulent.<sup>11</sup> For all funds, the AFAs involved in fraudulent irregularities was constantly and, in particular for CF and ERDF, significantly higher than those related to non-fraudulent irregularities. This underlines the importance of co-operation with the judicial authorities in protecting the EU financial interests.

<sup>11</sup> To this aim, the set of data at the basis of CP5a and CP5b has been split between fraudulent (CP6a and CP6b) and not fraudulent (CP6c and CP6d) irregularities.



With respect to fraudulent irregularities, the AFAs involved in CF cases plummeted from a peak in 2014, while remaining at a level that is still double the one related to ERDF cases. The AFA involved in ERDF cases increased significantly during the last five years.

With respect to non-fraudulent irregularities, the AFA involved in CF cases followed the opposite trend: it strongly increased from 2014 to 2017 and in 2018, while decreasing, it remained at a level that is significantly higher than in 2014. The AFA involved in ERDF cases has been increasing since 2015 and was stable in 2018.

The findings reported above support the hypothesis of some improvement in the targeting of control activities, which could be underpinned and made durable by the implementation of the recommendations that have been made in last year's Report<sup>12</sup>, in particular concerning risk analysis.

#### 4.1.1. Irregularities reported as fraudulent

##### 4.1.1.1. Trend by programming period

Table CP4 provides an overview by PP and fund of the irregularities reported as fraudulent in the last five years (2014-2018). In some cases, the Member States reported irregularities as non-fraudulent, while a penal procedure had been started. This may be due to the need to wait for some procedural steps before classifying the irregularity as fraudulent. These cases are not included as fraudulent in the analysis for this Report; considering them as such would increase the number of fraudulent irregularities by about 9% (3% in terms of financial amounts involved).

Irregularities reported as fraudulent have been following a stable trend since 2016. With respect to the peak in 2015, the number of the irregularities reported in 2018 has decreased by just 11%, while it is still 41% higher than the level in 2014.

This is the result of different dynamics with reference to different programming periods. During the last five years, while the fraudulent irregularities linked to the PP 2000-06 have

<sup>12</sup> Report from the Commission to the European Parliament and the Council – 29<sup>th</sup> Annual Report on the Protection of the European Union's Financial Interests – Fight against Fraud – 2017', COM(2018)553

been decreasing to reach nearly 0 since 2016, those linked to the PP 2007-13 have peaked in 2015, gradually decreased in the following years and dropped in 2018 so that in this year they were overcome by those related to PP 2014-2020. These dynamics were linked to the implementation cycle of PP 2007-2013 and the closure of PP 2000-2006. Reporting related to PP 2014-2020 basically started in 2017 and accelerated in 2018. Nearly 20% of all cases reported in 2018 were reported as fraudulent (about 15% for the period 2015-2018). These percentages are significantly higher than those referring to PP 2007-2013. This tendency to focusing on fraudulent behaviours is analysed further in the next Sections.

Table CP4: Number of irregularities reported as fraudulent between 2014 and 2018 by programming period - Cohesion and Fisheries Policies

FUND / PROGRAMMING PERIOD	REPORTING YEAR					TOTAL PERIOD
	2014	2015	2016	2017	2018	
	N	N	N	N	N	N
<b>Programming Period 2014-20</b>	0	1	2	31	210	244
CF	0	0	0	1	24	25
ERDF	0	0	0	7	134	141
ESF	0	1	2	23	41	67
EMFF	0	0	0	0	11	11
<b>Programming Period 2007-13</b>	213	397	354	307	149	1,420
CF	6	9	10	17	7	49
ERDF	121	254	251	231	118	975
ESF	78	118	84	51	23	354
EFF	8	16	9	8	1	42
<b>Programming Period 2000-06</b>	44	10	4	3	4	65
ERDF	8	2	2	0	4	16
ESF	29	7	0	3	0	39
GUID	7	1	2	0	0	10
<b>Programming Period 1994-99</b>	1	0	0	0	0	1
GUID	1	0	0	0	0	1
<b>TOTAL</b>	<b>258</b>	<b>408</b>	<b>360</b>	<b>341</b>	<b>363</b>	<b>1,730</b>

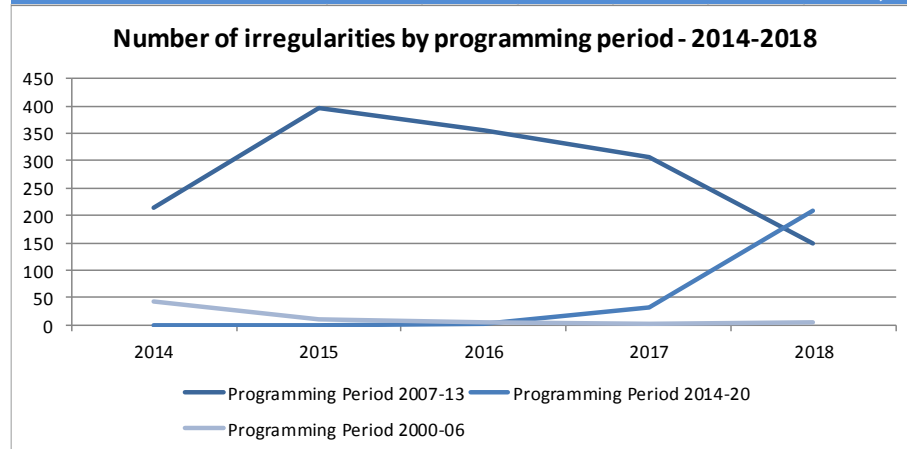
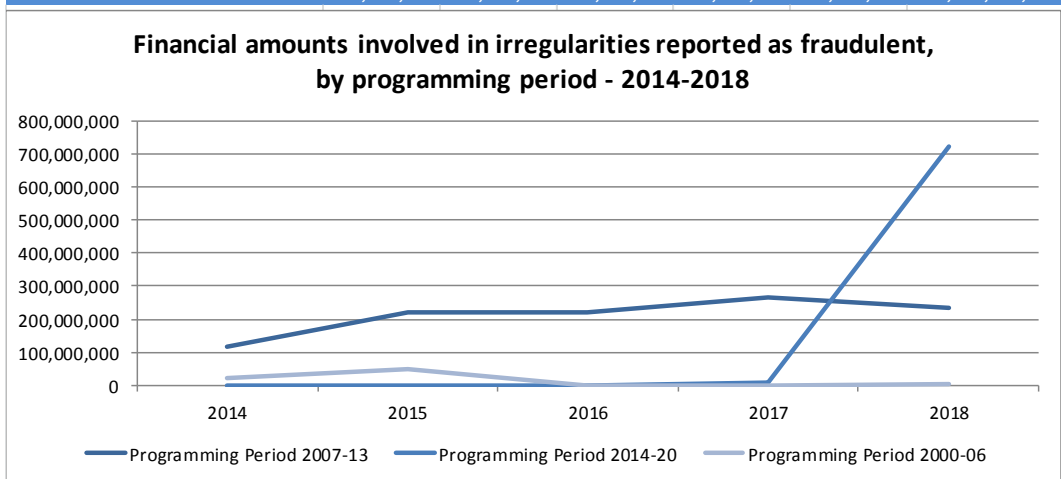


Table CP5 provides an overview by PP and Fund of the financial amounts involved in cases reported as fraudulent. As already indicated on several occasions, the trend of the financial amounts is more subject to fluctuations due to the possibility of individual cases involving high amounts. While the number of irregularities peaked in 2015, the involved financial amounts resumed strong growth in 2017 and skyrocketed in 2018. Growth in 2017 was mainly pushed by PP 2007-2013 (all funds). In 2018, PP 2007-2013 continued to contribute to growth through the ESF, whose financial amounts increased again, but this was due to one case reported by Portugal, where exceptional financial amounts were involved. For PP 2014-2020, as it could be expected, in 2018 the financial amounts involved in fraudulent irregularities increased for all funds, but the increase related to the ERDF was extreme. This was mainly due to two irregularities reported by Slovakia, accounting for nearly EUR 600 million. However, also net of these cases, the financial amounts involved in ERDF cases would have increase by about EUR 107 million, which is still significant.

Table CP5: Financial amounts related to the irregularities reported as fraudulent between 2014-2018 by programming period - Cohesion and Fisheries Policies

FUND / PROGRAMMING PERIOD	REPORTING YEAR					TOTAL PERIOD
	2014	2015	2016	2017	2018	
	EUR	EUR	EUR	EUR	EUR	EUR
Programming Period 2014-20	0	150,672	382,136	10,279,119	720,991,237	731,803,164
CF	0	0	0	761,082	16,755,873	17,516,955
ERDF	0	0	0	5,232,154	696,119,157	701,351,311
ESF	0	150,672	382,136	4,285,883	7,054,802	11,873,493
EMFF	0	0	0	0	1,061,405	1,061,405
Programming Period 2007-13	115,310,877	222,969,922	221,166,811	263,754,087	235,835,425	1,059,037,122
CF	38,962,780	16,411,304	12,375,609	29,458,717	14,414,775	111,623,185
ERDF	64,841,449	165,769,296	199,109,697	218,865,435	182,788,112	831,373,989
ESF	9,732,657	36,249,811	8,966,904	11,231,394	38,596,407	104,777,173
EFF	1,773,991	4,539,511	714,601	4,198,541	36,131	11,262,775
Programming Period 2000-06	23,356,284	48,102,445	752,576	298,536	2,805,129	75,314,970
ERDF	18,439,407	61,297	224,147	0	2,805,129	21,529,980
ESF	4,461,373	47,822,953	0	298,536	0	52,582,862
GUID	455,504	218,195	528,429	0	0	1,202,128
Programming Period 1994-99	145,855	0	0	0	0	145,855
GUID	145,855	0	0	0	0	145,855
	138,813,016	271,223,039	222,301,523	274,331,742	959,631,791	1,866,301,111



Focusing on PP 2007-2013, the financial amounts involved in irregularities reported as fraudulent for the ERDF were predominant (79% in 2014-2018), also due to the high share of EU financing that is channel through this fund. A similar trend was emerging also with reference to PP 2014-2020.

#### 4.1.1.2. Trend by Fund

The analysis of the same data presented in Tables CP4 and CP5 but focussed on the distribution of the irregularities reported as fraudulent by Fund (Tables CP6 and CP7), highlights the following situations:

- (1) ERDF: This fund was impacted by the highest number of cases and absolute financial amounts (but not relative to payments). 2015 witnessed a jump in the total number of irregularities (+98% with respect to 2014). Since then, the number of fraudulent irregularities detected in the Member States remained at this new higher level. In 2018, this was possible because the drop of new cases related to PP 2007-2013 was compensated by the sharp rise of the number of irregularities detected in relation to PP 2014-2020 (see also Section 4.1.3 about a comparison between PP 2007-2013 and PP 2014-2020).

Instead of peaking in 2015, the financial amounts continued to increase until 2018, when they literally burst. The extreme rise in 2018 was strongly influenced by the two irregularities reported by Slovakia (summing up to nearly EUR 600 million). However,

even net of these two cases, the increase from 2017 would still be noticeable (+31%). The AFA significantly increased during 2016-2018, by about 20% each year (considering 2018 net of 2 cases where exceptional financial amounts were involved – see also Graph CP5b);

- (2) ESF: 2015 witnessed a peak in the total number of irregularities (+18% with respect to 2014), after which it declined at a sustained pace. The variations in the related financial amounts were much more accentuated and did not necessarily follow the changes in numbers.

In 2015, the financial amounts recorded an increase of nearly 500%. This was influenced by a sudden, isolated and extreme rise related to PP 2000-2006, based on 2 'exceptional' irregularities reported by Italy and accounting for more than EUR 40 million (out of EUR 48 million). In addition, while the number of cases related to PP 2007-2013 increased by 50%, the financial amounts increased nearly fourfold. Also in this case, the disproportionate rise of the financial amounts was mainly due to one 'exceptional' irregularity, this time reported by Portugal.<sup>13</sup> The following two years, the financial amounts dropped back, before bouncing up in 2018 (+188% with respect to 2017). Again, this jump in 2018 was due to one irregularity reported by Portugal where exceptional financial amounts were involved<sup>14</sup>;

- (3) Potential frauds affecting the Cohesion fund are now reported regularly (since 2010), and from 2016 to 2018 they tripled, in terms of number, and more than doubled, in terms of financial amounts. Fluctuations of the amounts, however, can be particularly significant in respect of these cases, because of fewer cases and high amounts involved in the projects financed by the Cohesion Fund.

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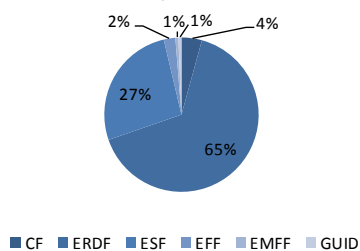
<sup>13</sup> Meaning an irregularity where the financial amounts involved exceeded EUR 10 million. Getting a broader view, it can be noticed that two irregularities reported by Portugal, accounted together for nearly EUR 20 million.

<sup>14</sup> This time, the irregularity reported as fraudulent involved more than EUR 30 million.

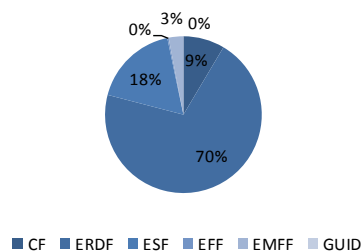
Table CP6: Number of irregularities reported as fraudulent between 2014-2018 by Fund - Cohesion and Fisheries Policies

FUND	REPORTING YEAR					TOTAL PERIOD
	2014	2015	2016	2017	2018	
	EUR	EUR	EUR	EUR	EUR	EUR
CF	6	9	10	18	31	74
ERDF	129	256	253	238	256	1,132
ESF	107	126	86	77	64	460
EFF	8	16	9	8	1	42
EMFF	0	0	0	0	11	11
GUID	8	1	2	0	0	11
<b>TOTAL</b>	<b>258</b>	<b>408</b>	<b>360</b>	<b>341</b>	<b>363</b>	<b>1,730</b>

Irregularities reported as fraudulent 2014-2018 by fund



Irregularities reported as fraudulent in 2018 by fund



Irregularities reported as fraudulent 2014-2018 by fund

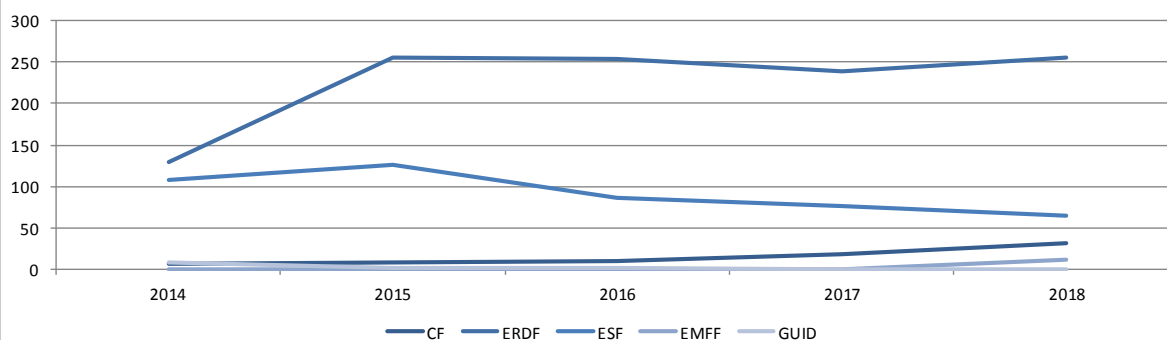
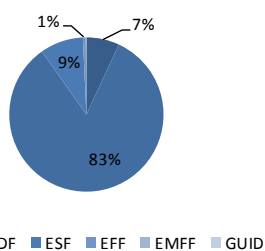


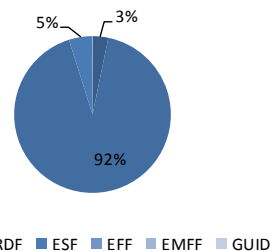
Table CP7: Financial amounts related to irregularities reported as fraudulent between 2014-2018 by Fund - Cohesion and Fisheries Policies

FUND	REPORTING YEAR					TOTAL PERIOD
	2014	2015	2016	2017	2018	
	EUR	EUR	EUR	EUR	EUR	EUR
CF	38,962,780	16,411,304	12,375,609	30,219,799	31,170,648	129,140,140
ERDF	83,280,856	165,830,592	199,333,843	224,097,589	881,712,397	1,554,255,278
ESF	14,194,029	84,223,436	9,349,040	15,815,813	45,651,208	169,233,527
EFF	1,773,991	4,539,511	714,601	4,198,541	36,131	11,262,775
EMFF	0	0	0	0	1,061,405	1,061,405
GUID	601,358	218,195	528,429	0	0	1,347,983
<b>TOTAL</b>	<b>138,813,014</b>	<b>271,223,039</b>	<b>222,301,523</b>	<b>274,331,742</b>	<b>959,631,789</b>	<b>1,866,301,107</b>

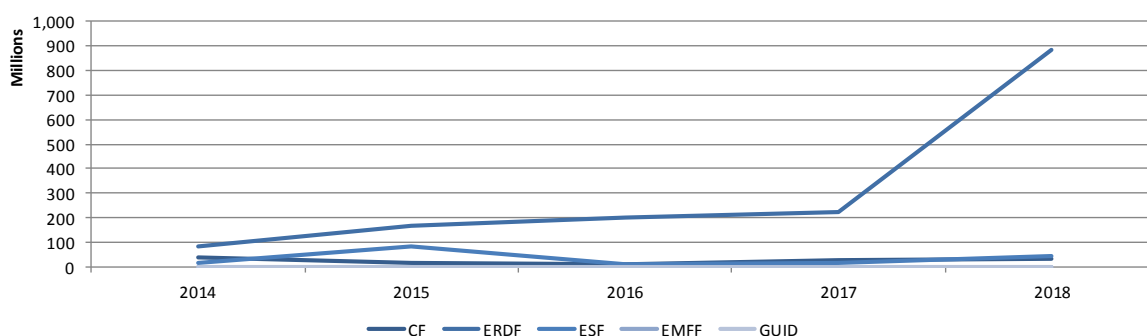
Irregularities reported as fraudulent 2014-2018 by fund



Irregularities reported as fraudulent in 2018 by fund



Financial amounts involved in irregularities reported as fraudulent 2014-2018 by fund



#### 4.1.2. Irregularities not reported as fraudulent

Table CP8 provides an overview by PP and fund of the irregularities not reported as fraudulent in the last five years (2014-2018). Table CP9 shows the financial amounts involved in these irregularities. Once more, as already mentioned several times in relation to the financial amounts, fluctuations can happen more often, as they can be linked to individual irregularities or groups of irregularities of significant value, which produce distortive effects from one year to the next.

The reasons behind the high increase in 2015 have already been explained under Section 4.1.

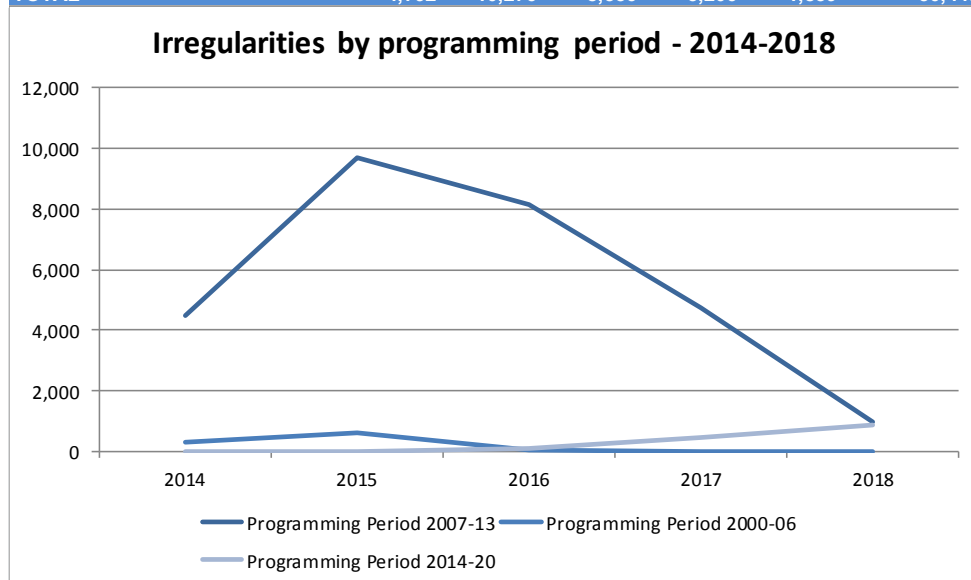
After 2015, the decrease in the number of irregularities related to PP 2007-2013 was fast for the ERDF (as from 2016 and accelerating in 2017), the ESF (as from 2017) and the CF (as from 2016 and accelerating in 2018).<sup>15</sup> The financial amounts followed a different pattern and increased further in 2016, before rapidly falling as from 2017, but not as much as the number of irregularities.

<sup>15</sup> CF spending takes longer to implement, typically involving large infrastructure and environmental projects. Spending stretches until the very end of the eligibility period (i.e. 2015). Controls continue during the spending years. Spending under ERDF reached the 95% ceiling earlier for some MS, who stopped declaring expenditure until closure. This may have an impact on the timing of detection of the irregularities.



Table CP8: Number of irregularities not reported as fraudulent between 2014 and 2018 by programming period - Cohesion and Fisheries Policies

FUND / PROGRAMMING PERIOD	REPORTING YEAR					TOTAL PERIOD
	2014	2015	2016	2017	2018	
	N	N	N	N	N	
Programming Period 2014-20	0	1	117	435	862	1,415
CF	0	0	2	37	91	130
ERDF	0	1	16	200	544	761
ESF	0	0	97	195	217	509
EMFF	0	0	2	3	10	15
Programming Period 2007-13	4,504	9,685	8,161	4,762	972	28,084
CF	272	455	428	397	83	1,635
ERDF	2897	7726	6155	3424	653	20,855
ESF	1256	1329	1325	756	207	4,873
EFF	79	175	253	185	29	721
Programming Period 2000-06	286	589	57	9	5	946
CF	33	6	2	1	0	42
ERDF	188	565	47	5	4	809
ESF	31	12	4	1	1	49
FIFG	0	1	0	0	0	1
GUID	34	5	4	2	0	45
Programming Period 1994-1999	2	1	1	0	0	4
ERDF	1	1	1	0	0	3
GUID	1	0	0	0	0	1
<b>TOTAL</b>	<b>4,792</b>	<b>10,276</b>	<b>8,336</b>	<b>5,206</b>	<b>1,839</b>	<b>30,449</b>

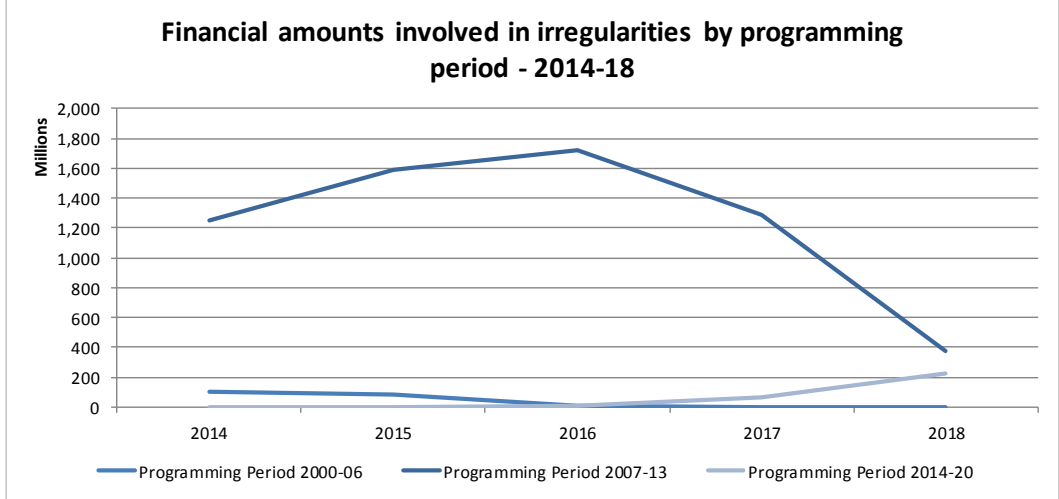


The AFAs for PP 2007-2013 have been experiencing different trends depending on the Fund: for the CF they have been decreasing since 2017, while for the ESF, 2018 is the first year of decrease after two years of rise. The AFAs of the ERDF have instead been increasing at an accelerated pace since 2016 (+23% in 2016, +42% in 2017 and +88% in 2018). As mentioned, these trends are influenced by few irregularities where 'exceptional' financial amounts were involved. Considering the fact that irregularities reported as fraudulent usually imply higher financial amounts, one may suppose that some of the cases notified as non-fraudulent might be reclassified later as potentially fraudulent.

The financial amounts reported in relation to PP 2000-2006 are fading towards zero. In 2016, the reporting of irregularities referring to PP 2014-2020 started and increased in 2017 and 2018, as implementation was progressing. Number and financial amounts were still low, but they can be expected to grow during next years, in line with the implementation cycle. Taking all Funds together, during the period 2014-2018, the AFA for PP 2014-2020 was quite lower than for PP 2007-2013.

Table CP9: Financial amounts related to irregularities not reported as fraudulent between 2014 and 2018 by programme period - Cohesion and Fisheries Policies

FUND / PROGRAMMING PERIOD	REPORTING YEAR					TOTAL PERIOD
	2014	2015	2016	2017	2018	
	EUR	EUR	EUR	EUR	EUR	EUR
Programming Period 2014-20	0	15,872	4,798,286	63,628,018	221,584,988	290,027,165
CF	0	0	671,052	7,979,293	112,575,240	121,225,585
ERDF	0	15,872	3,152,621	52,246,624	73,758,331	129,173,449
ESF	0	0	806,685	3,124,218	34,536,709	38,467,612
EMFF	0	0	167,928	277,883	714,708	1,160,519
Programming Period 2007-13	1,254,066,711	1,589,204,596	1,717,747,332	1,287,102,291	377,450,429	6,225,571,359
CF	185,043,183	272,011,035	381,297,959	250,551,427	22,733,828	1,111,637,432
ERDF	966,496,303	1,207,179,349	1,177,934,950	930,400,314	333,738,682	4,615,749,598
ESF	96,214,371	92,993,461	130,912,747	87,027,565	18,524,398	425,672,542
EFF	6,312,854	17,020,751	27,601,676	19,122,985	2,453,521	72,511,787
Programming Period 2000-06	100,297,938	88,276,782	11,685,760	3,739,479	897,299	204,897,258
CF	13,871,745	1,332,039	3,412,302	1,915,597	0	20,531,683
ERDF	78,420,090	85,062,915	5,028,626	827,746	870,659	170,210,036
ESF	3,181,122	636,582	137,061	930,270	26,640	4,911,675
FIFG	0	857,372	0	0	0	857,372
GUID	4,824,981	387,874	3,107,771	65,866	0	8,386,492
Programming Period 1994-1999	83,806	474,024	6,430	0	0	564,260
ERDF	12,110	474,024	6,430	0	0	492,564
GUID	71,696	0	0	0	0	71,696
<b>TOTAL</b>	<b>1,354,448,455</b>	<b>1,677,971,274</b>	<b>1,734,237,808</b>	<b>1,354,469,788</b>	<b>599,932,716</b>	<b>6,721,060,042</b>



Graph CP6d in Section 4.1 shows, for the different funds, the 'core' trend of AFAs of irregularities not reported as fraudulent, taking PP 2007-2013 and PP2014-2020 together. AFA of CF strongly increased until 2017, before falling in 2018. Also the AFA of ERDF, which was constantly and significantly lower than that of CF, increased until 2017, but remained stable in 2018. The AFA of ESF and EFF/EMFF followed a flatter trend, which was still slightly increasing for ESF.

#### 4.1.3. Irregularities reported in relation to the PP 2014-2020: comparison with PP 2007-2013

The current Programming Period started in 2014, about 5 years ago. Reporting of irregularities basically started in 2016 and increased in 2017 and 2018 (see Table CP2). To put this trend into perspective, it is worth comparing it with the number and financial amounts of the irregularities that were recorded during the first 5 years of PP 2007-2013. Tables CP10 and CP11 provide this information.<sup>16</sup>

<sup>16</sup> Tables CP10 and CP11 include irregularities on the basis of the year to which the irregularity is associated, regardless of when it is reported. Typically, the irregularities reported during the first months of year x+1 refer to the year x. However, there can be cases where an irregularity reported later during the year x+1 is still associated to year x. In order to take this factor into consideration, all subsequent comparisons are based on irregularities associated to the first 5 years of implementation (2007-2011 – for PP 2007-2013 - or 2014-2018 –

Table CP10: Irregularities not reported as fraudulent: number and financial amounts involved - Cohesion and Fisheries Policies

	REPORTING YEAR					
<b>PP 2007-2013</b>	2007	2008	2009	2010	2011	Total
N	0	7	113	1,189	2,090	3,399
EUR	0	71,325	29,259,494	132,065,280	366,504,535	527,900,635
<b>PP 2014-2020</b>	2014	2015	2016	2017	2018	
N	0	1	117	435	862	1,415
EUR	0	15,872	4,798,286	63,628,018	221,584,988	290,027,164

Table CP11: Irregularities reported as fraudulent: number and financial amounts involved - Cohesion and Fisheries Policies

	REPORTING YEAR					
<b>PP 2007-2013</b>	2007	2008	2009	2010	2011	Total
N	0	0	47	45	109	201
EUR	0	0	126,917,164	27,880,634	118,193,373	272,991,171
<b>PP 2014-2020</b>	2014	2015	2016	2017	2018	
N	0	1	2	31	210	244
EUR	0	150,672	382,136	10,279,119	720,991,235	731,803,163

The following Graphs provide for an even more precise comparison based on the actual date of reporting.<sup>17</sup> In any case, it must be borne in mind that this comparison is affected by the fact that the irregularities related to PP 2007-2013 are more 'mature' than irregularities related to PP 2014-2020, which have been just reported. The number and the financial amounts involved in the irregularities related to PP 2007-2013 are the result of several years of investigation (after detection) that brought into the picture additional information to confirm or refute the hypothesis that an irregularity had been perpetrated<sup>18</sup>, to classify the irregularity (fraudulent or non-fraudulent), to quantify the financial amounts actually involved, etc.

As shown by Graph CP7, after about 5 years for the start of the programming period, the number of irregularities reported as fraudulent was higher for PP 2014-2020 than for PP 2007-2013. There was a slower start of detection related to the current programming period, but during the fifth year of implementation there was a strong acceleration that filled the gap. The comparison is more difficult in terms of financial amounts (see Graph CP8) because of the impact of a few cases with exceptional financial amounts involved. The financial amounts reported in relation to PP 2014-2020 are much higher than the previous PP, but there was a noticeable jump at the beginning the fifth year of implementation due to the two cases already mentioned above, which summed up to about EUR 600 million. However, it should be noticed that also PP 2007-2013 experienced a similar, even if smaller, jump, because, at the end of the fourth year of implementation, a case where about EUR 120 million were involved was reported. Taking these outliers out of the analysis, the financial amounts involved in the fraudulent irregularities reported within PP 2014-2020 were still higher than

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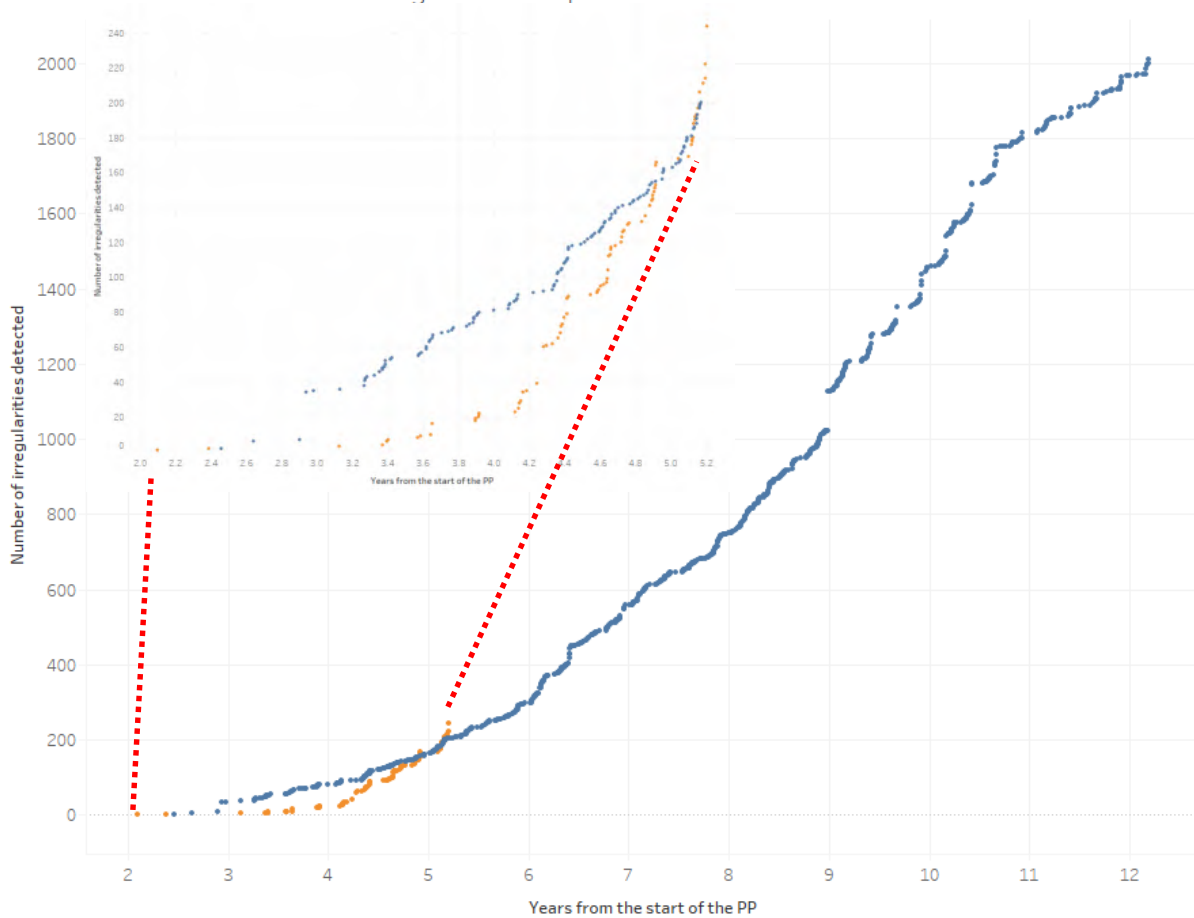
for PP 2014-2020) AND reported by the 15/3/2012 (for PP 2007-2013) or 15/3/2019 (for PP 2014-2020). See also next footnote. Together with inclusion or not of the fisheries policy, this justifies differences between figures reported in Tables CP10 and CP11 and figures reported later in this report.

<sup>17</sup> For PP 2014-2020, irregularities reported until 15/3/2019 - which is the date when data was extracted from IMS for the analysis - are considered. This does not include irregularities referring to the year 2019. For PP 2007-2013, irregularities reported until 15/3/2012 are considered. This does not include irregularities referring to the year 2012 or later.

<sup>18</sup> For example, it is possible that data related to PP 2014-2020 now includes a number of irregularities that during the next years will be cancelled (as investigations will possibly ascertain that no irregularity was committed). Irregularities related to PP 2007-2013 have already undergone this process, as we are considering them after 8-12 years from their initial reporting. The same applies to the classification as fraudulent or non-fraudulent, etc.

the financial amounts reported within PP 2007-2013 during the same period after the start of the programming period.

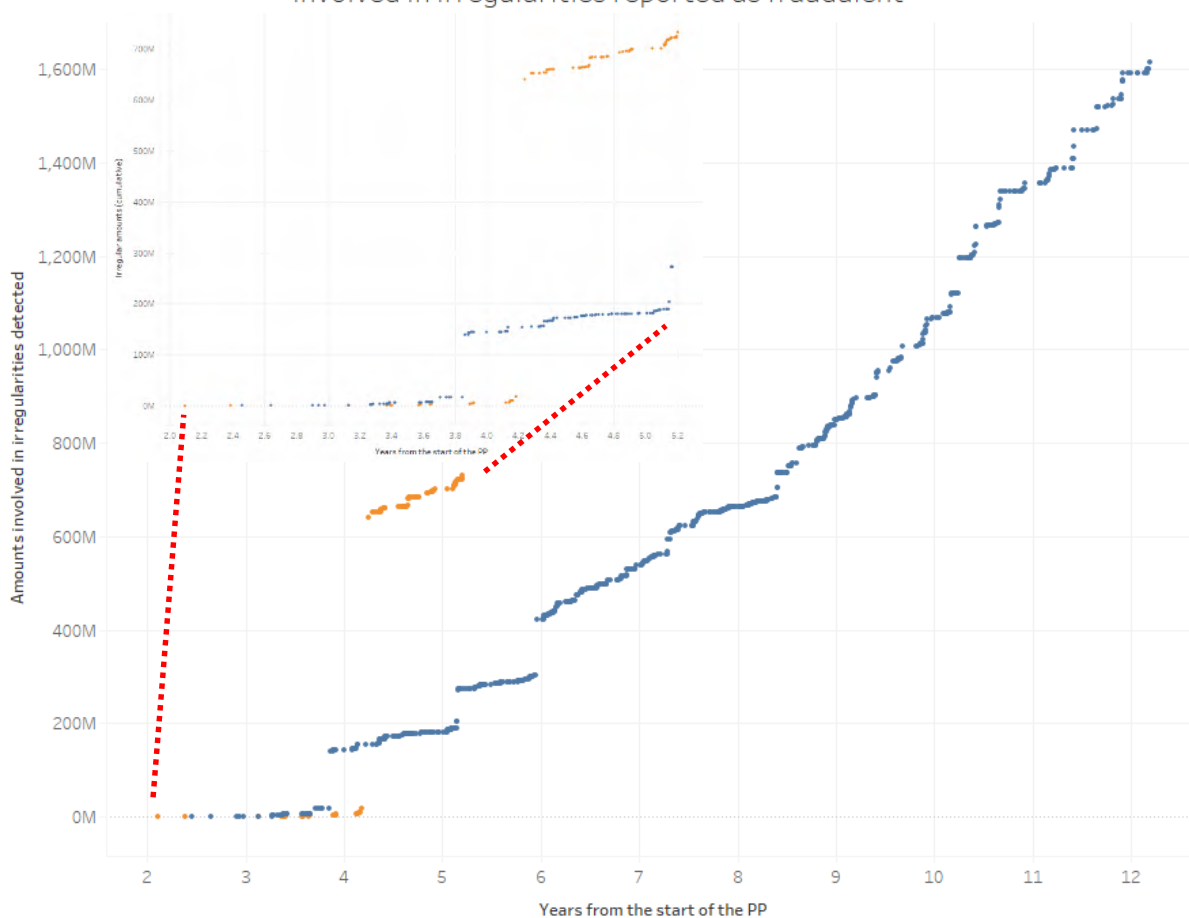
Graph CP7: Comparison between detection for PP 2007-2013 and PP 2014-2020 -Number of irregularities reported as fraudulent



1.3 Programming period

- 2007-2013
- 2014-2020

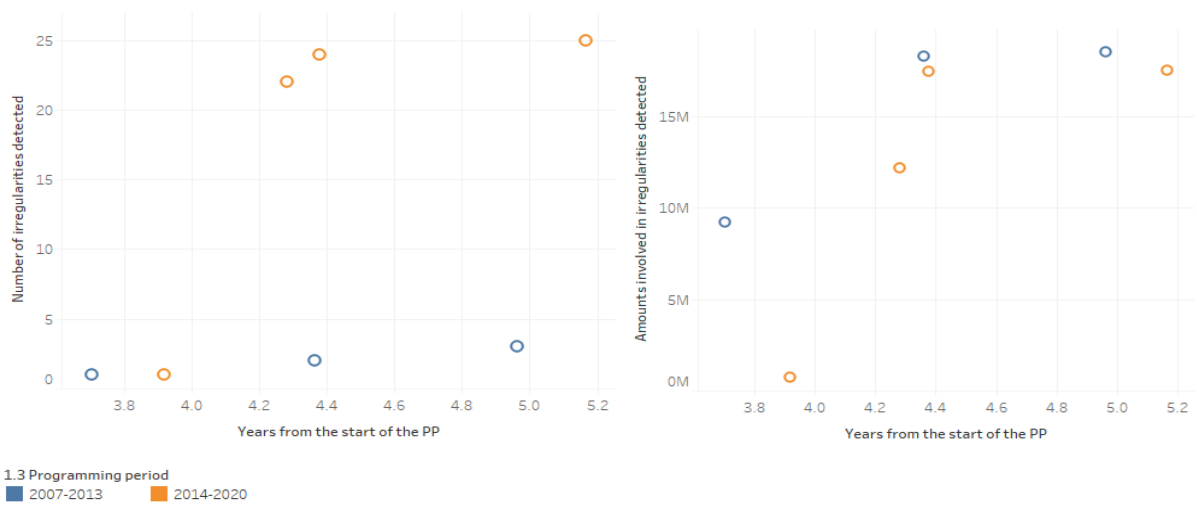
Graph CP8: Comparison between detection for PP 2007-2013 and PP 2014-2020 - Amounts involved in irregularities reported as fraudulent



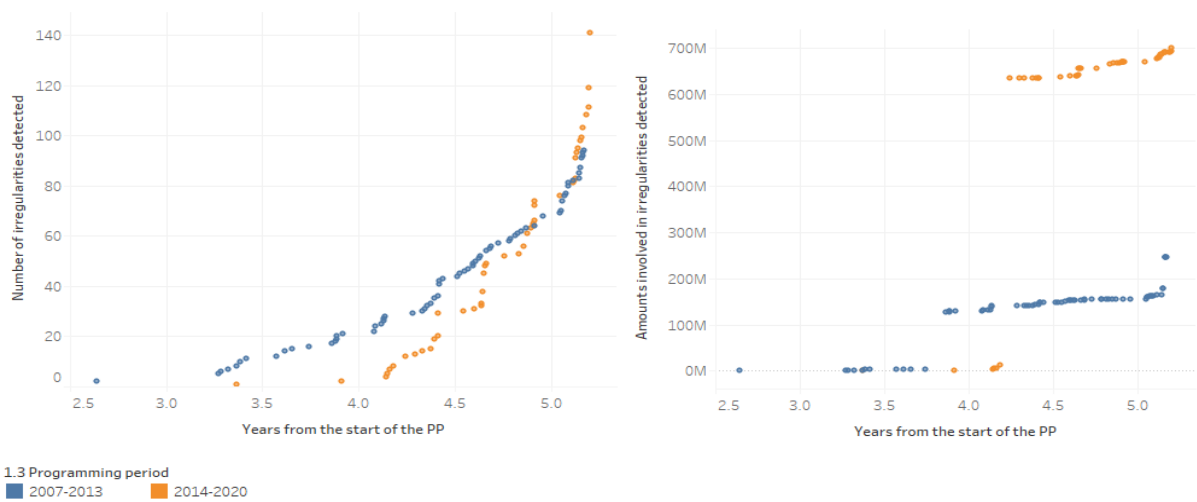
1.3 Programming period  
 ■ 2007-2013  
 ■ 2014-2020

This is the outcome of different patterns followed by different funds (see Graphs CP9a-CP9c). The irregularities reported as fraudulent in relation to CF and ERDF significantly increased, while those related to the ESF have been lagging behind by a rather stable number of cases. However, the financial amounts associated to the fraudulent irregularities related to ESF for PP 2014-2020 were considerably higher than those for PP 2007-2013. The irregularities related to the fisheries policy have been 11 for PP 2014-2020, while for PP 2007-2013 only one irregularity had been reported.

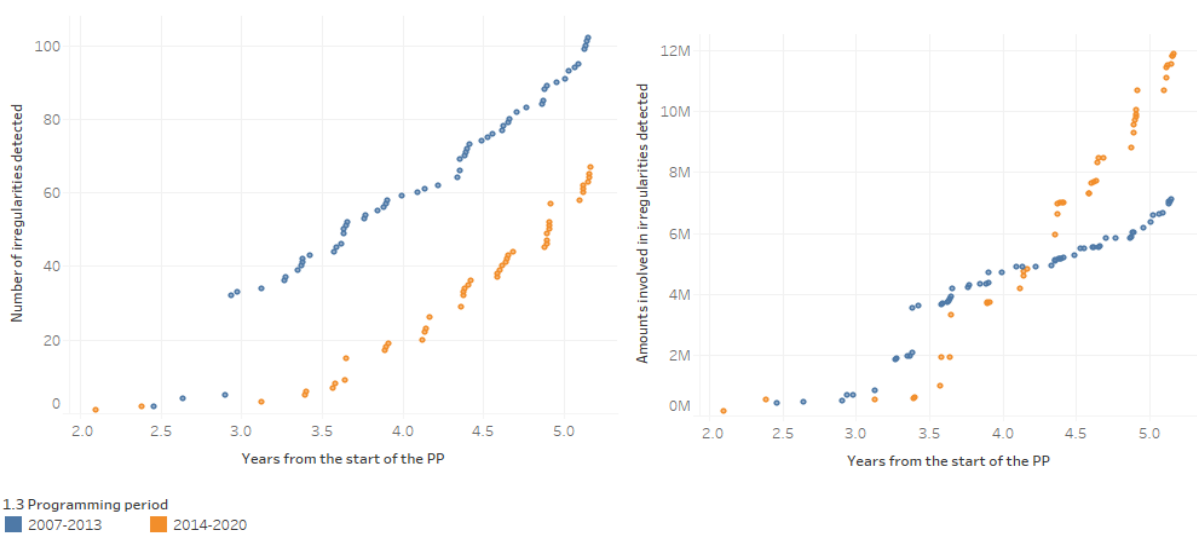
Graph CP9a: CF - Comparison PP 2007-2013 - PP 2014-2020 - Irregularities reported as fraudulent



Graph CP9b: ERDF - Comparison PP 2007-2013 - PP 2014-2020 - Irregularities reported as fraudulent



Graph CP9c: ESF - Comparison PP 2007-2013 - PP 2014-2020 - Irregularities reported as fraudulent

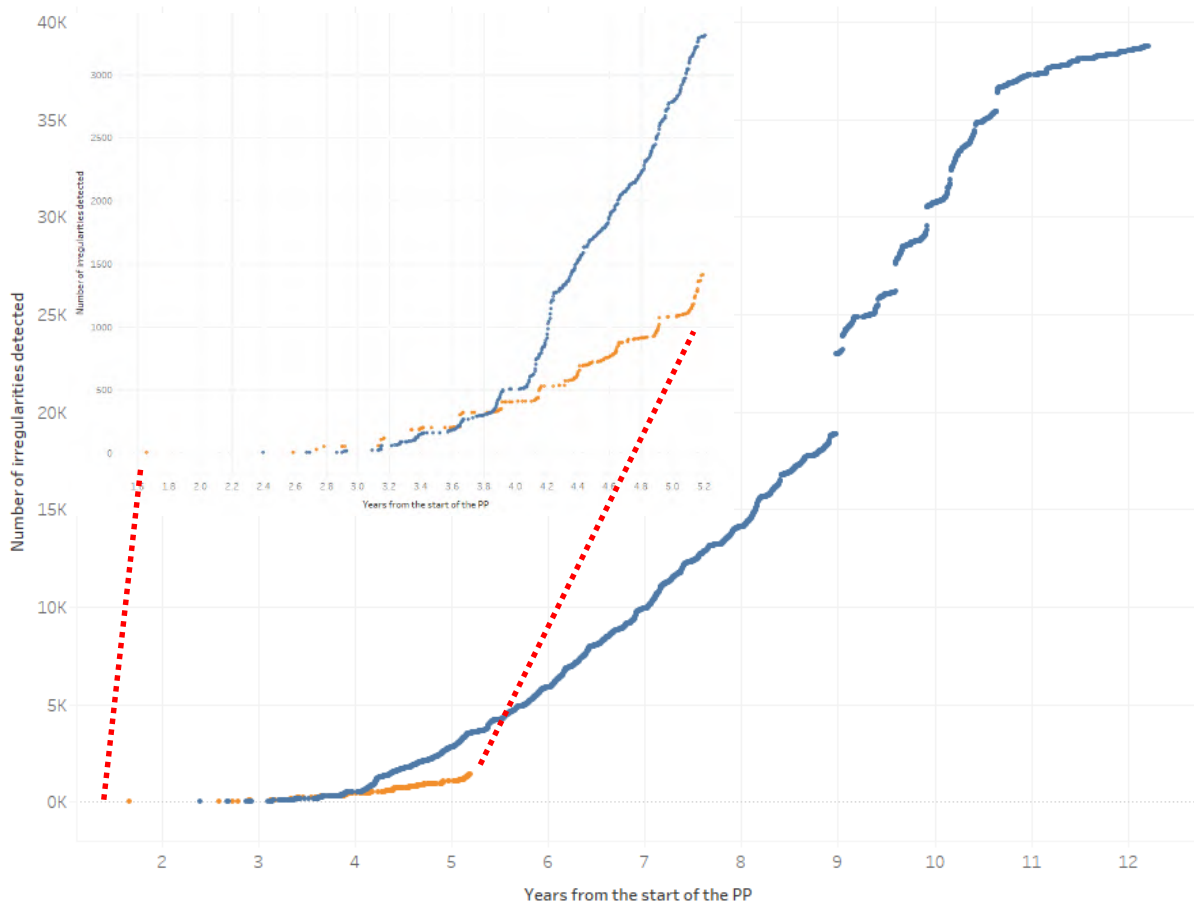


While the increase of CF fraudulent irregularities was mostly due to detections in Slovakia, the increase of ERDF fraudulent irregularities had a broader basis: 13 Member States

recorded an increase (in particular, Hungary with 35 cases more than PP 2007-2013, followed by Slovakia – +12 – Czech Republic - +11 – and Poland - +10) and 9 Member States a decrease (in particular the UK with 12 cases less than PP 2007-2013). For the ESF, about half of the Member States have not reported any fraudulent case related to PP 2014-2020 and had done the same after a comparable amount of time after the start of PP 2007-2013. For the rest, 6 Member States recorded an increase and 9 Member States a decrease. These changes have been significant for Germany (minus 48 cases<sup>19</sup>), Poland (plus 37 cases, evenly spread during the fourth and fifth year of implementation) and, to a lesser extent, Bulgaria (minus 12, due to no reporting for PP 2014-2020).

The irregularities not reported as fraudulent showed a completely different behaviour. The decrease in the number and financial amounts reported after 5 years from the start of the programming period is striking (see CP10 and CP11). This significant difference between PP 2007-2013 and the current 2014-2020 warrants for further analysis.

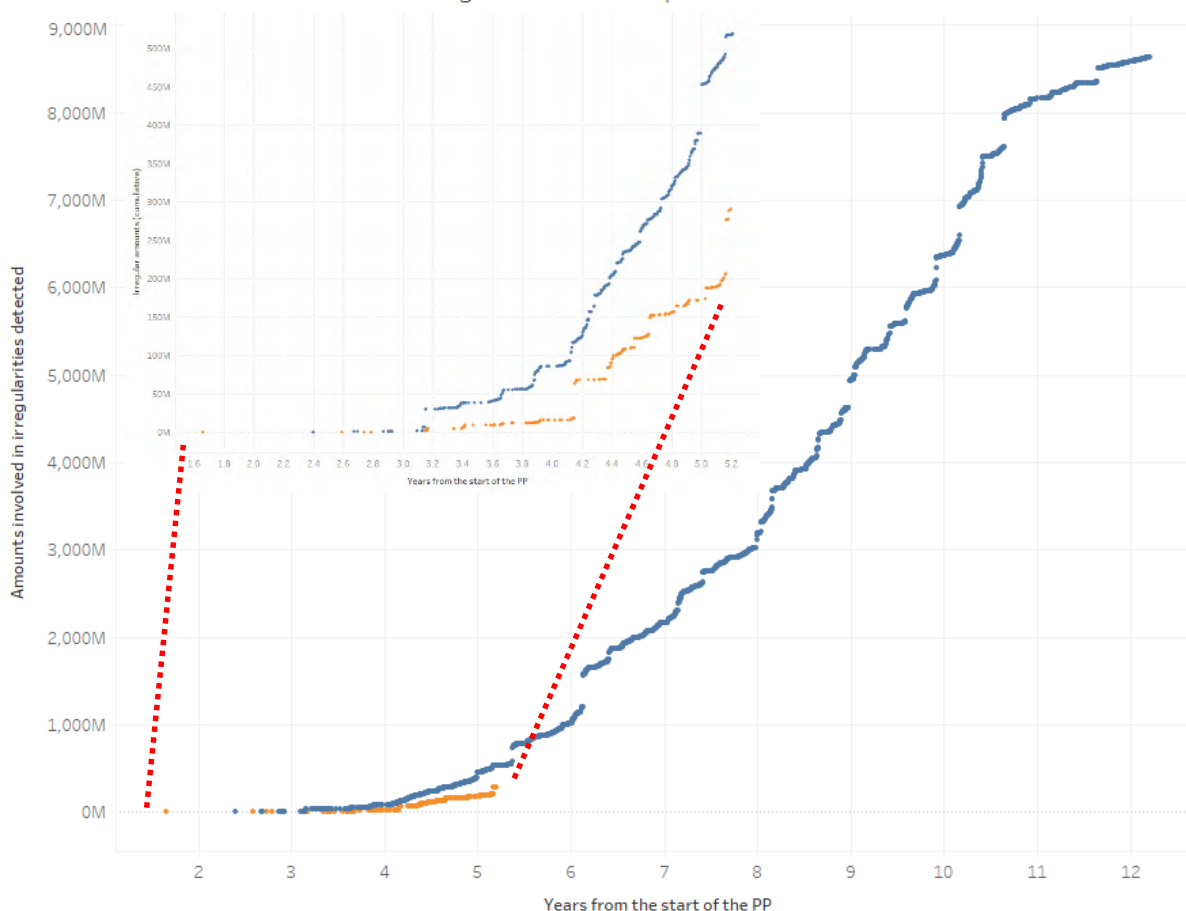
Graph CP10: Comparison between detection for PP 2007-2013 and PP 2014-2020 -Number of irregularities not reported as fraudulent



1.3 Programming period  
 ■ 2007-2013  
 ■ 2014-2020

<sup>19</sup> Germany reported about 30 fraudulent irregularities towards the end of the third year of implementation of PP 2007-2013, which is the reason for the jump of the related curve in Graph CP9c). A similar pattern did not emerge in PP 2014-2020.

Graph CP11: Comparison between detection for PP 2007-2013 and PP 2014-2020 - Amounts involved in irregularities not reported as fraudulent



1.3 Programming period  
 ■ 2007-2013  
 ■ 2014-2020

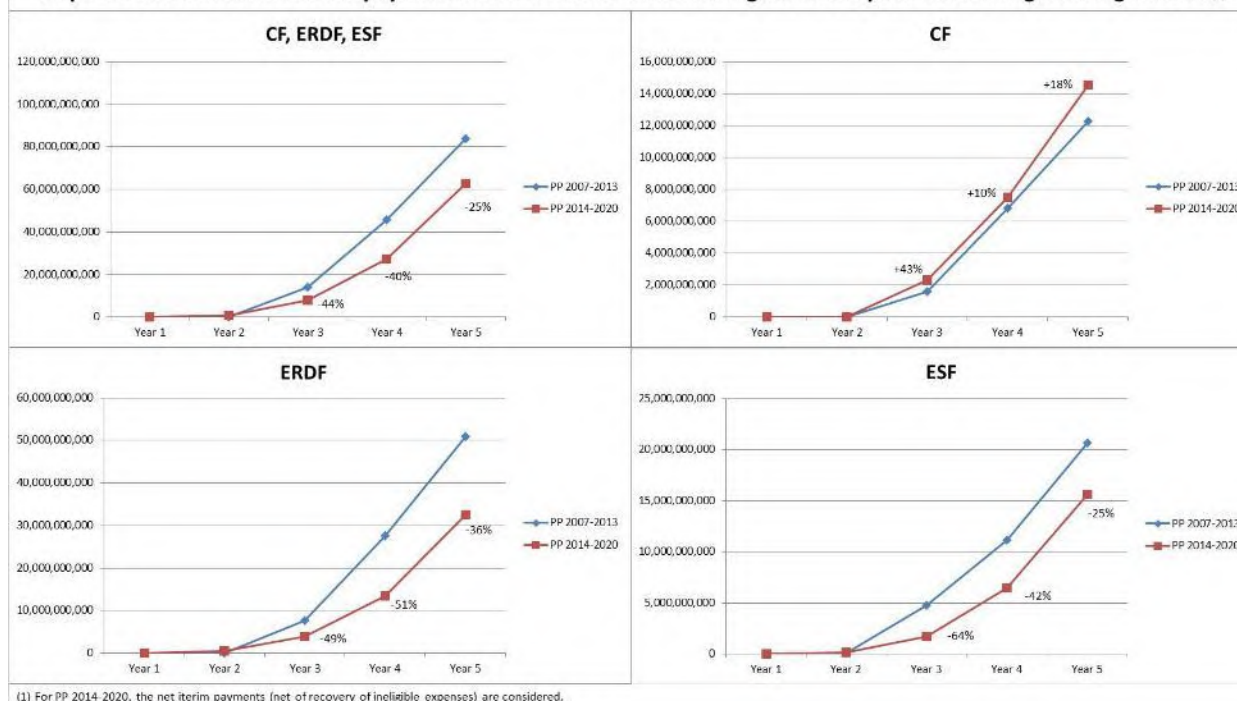
The number and related amounts of irregularities not reported as fraudulent can be influenced by the state of implementation of the programming period. An indicator to gauge the state of implementation may be the interim payments that have been made to the Member States, as these payments should reflect the progression of eligible expenditure.<sup>20</sup> This is shown by Graph CP12, including CF, ERDF and ESF, which absorb most of the financial resources.<sup>21</sup>

<sup>20</sup> It should be considered that with PP 2014-2020, an annual accounts system has been introduced. The accounting year starts on 1 July and ends on 30 June (except for the first accounting period). This might have changed the time gap between actual occurrence of expenses and interim payments by the EC. If it increased, at least part of the difference of the trends in interim payments for the 2 programming periods may be due to the difference in the reimbursement mechanisms rather than actual implementation delays.

<sup>21</sup> As mentioned, with PP 2014-2020, an annual accounts system has been introduced. In this new framework, reimbursement of interim payments is limited to 90 % of the amount resulting from applying the relevant co-financing rate to the expenditure declared in the payment request. However, the remaining 10 % is released after the yearly examination and acceptance of the accounts. In case this 10% is not attributed to the same year of the declaration of expenditure, this generates a slower pace of interim payments, which is not the result of a slower implementation of the programme.



**Graph CP12: Cumulative Interim payments to the Member States during the first 5 years of the Programming Periods (1)**



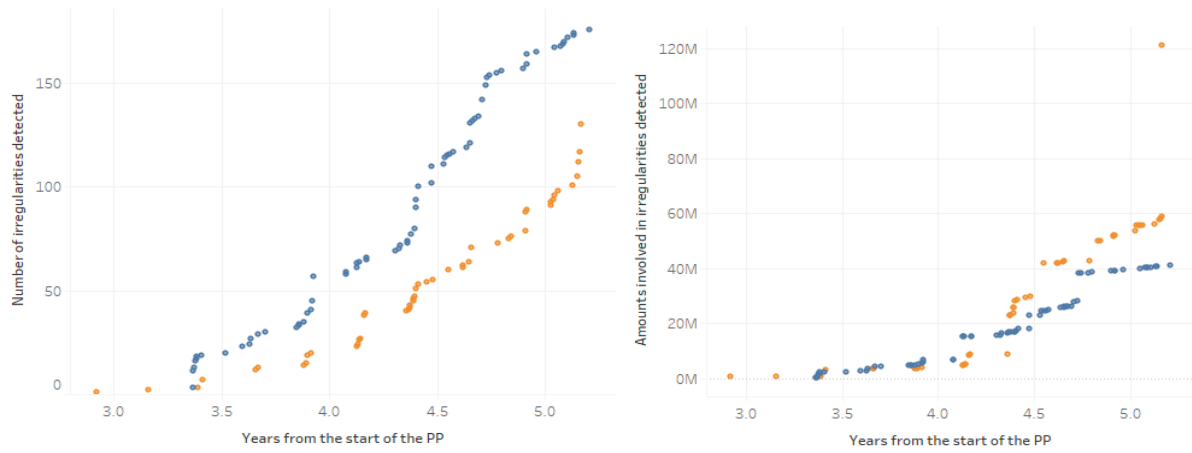
During the first 5 years from the start of PP 2014-2020 (from 2014 to 2018), the Member States have received less interim payments than during the first 5 years from the start of PP 2007-2013 (from 2007 to 2011). At the end of 2018, this (cumulative) gap still amounted to about -25%, but it was higher before (see CP12). This may contribute to explain the difference in terms of number of non-fraudulent irregularities, which is higher (about -60% - see Table CP10 and Graph CP10).

A closer look at Graph CP10 and the underlying data reveals that a significant share of the gap is due to a sudden acceleration in the number irregularities related to 2010 (fourth year of implementation of PP 2007-2013), which were reported at the beginning of 2011. More than half of this jump was due to irregularities reported by two Member States (Greece and the UK – see also below Graph CP16). Then during the fifth year of implementation (2011) the number of irregularities continued to grow at a sustained pace. PP 2014-2020 followed a different pattern. There was no significant increase related to 2017 (fourth year of implementation, as it was 2010 for PP 2007-2013); reporting continued to raise at the same pace, instead of accelerating. At the beginning of 2019 (with reference to the year 2018, fifth year of implementation), a noticeable increase in the number of irregularities reported took place. This sudden growth was smaller than the one recorded for PP 2007-2013 after four (and not five) years from the start of the programming period (see above), but it might corroborate the hypothesis that, at least in part, this gap in reporting may have been influenced by delayed implementation of the programming period.

In Graphs CP 13-15, the irregularities not reported as fraudulent are split by fund. The widest gap is recorded for the ERDF, for which the irregularities reported were just one third of those reported during the first 5 years of PP 2007-2013. For the CF and ESF, there was still a significant gap with respect to PP 2007-2013, even if it was not as wide as for ERDF. Furthermore, for the CF this negative gap was decreasing, in terms of numbers, while the financial amounts reported in relation to PP 2014-2020 were significantly higher than those related to PP 2007-2013. For the ESF, the negative gap started to widen towards the end of fifth year of implementation, both in terms of number and financial amounts. Also for the

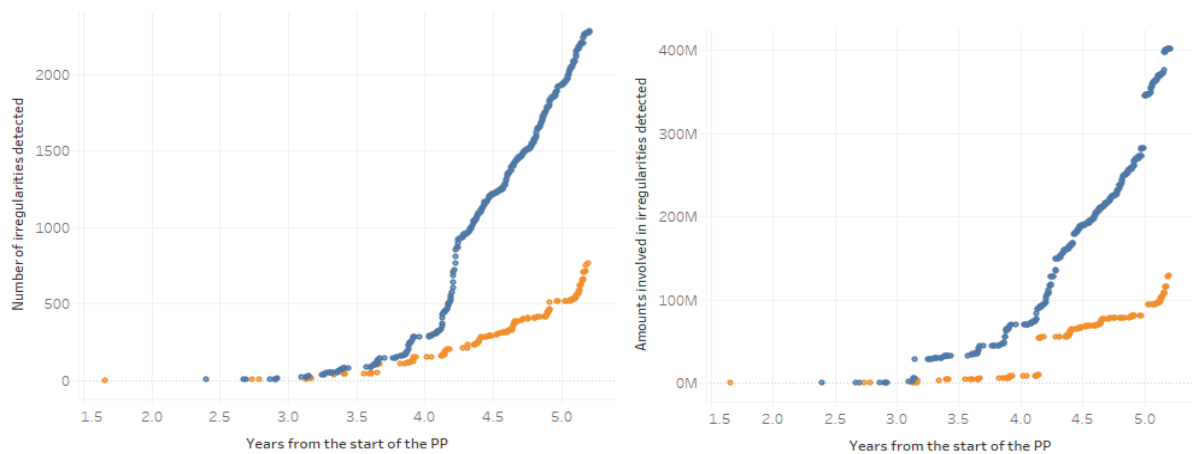
fisheries policy, the number of irregularities was decreasing (from 30 for PP 2007-2013 to 15 for PP 2014-2020) while the financial amounts were broadly stable around 1million.

Graph CP13: CF - Comparison PP 2007-2013 - PP 2014-2020 - Irregularities not reported as fraudulent



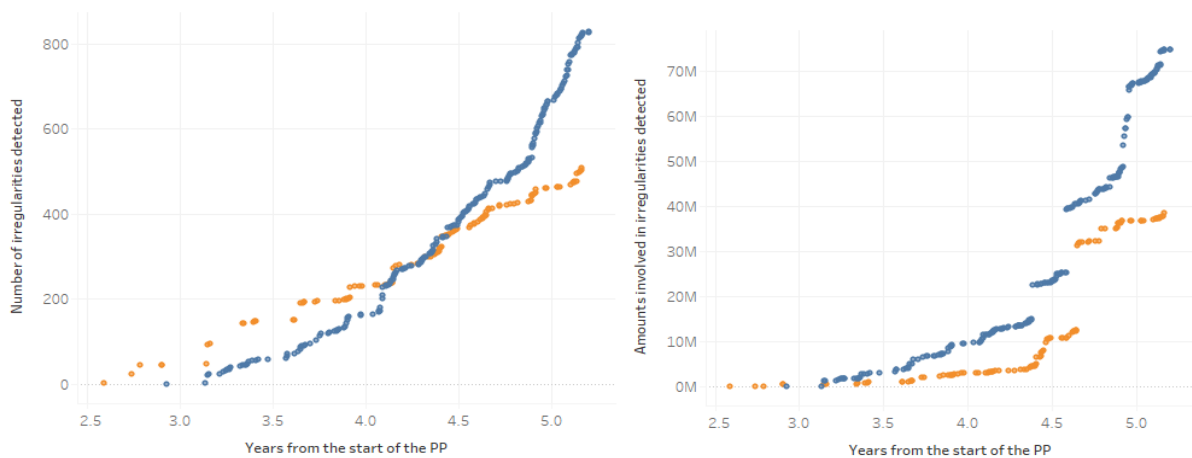
1.3 Programming period  
 ■ 2007-2013 ■ 2014-2020

Graph CP14: ERDF - Comparison PP 2007-2013 - PP 2014-2020 - Irregularities not reported as fraudulent



1.3 Programming period  
 ■ 2007-2013 ■ 2014-2020

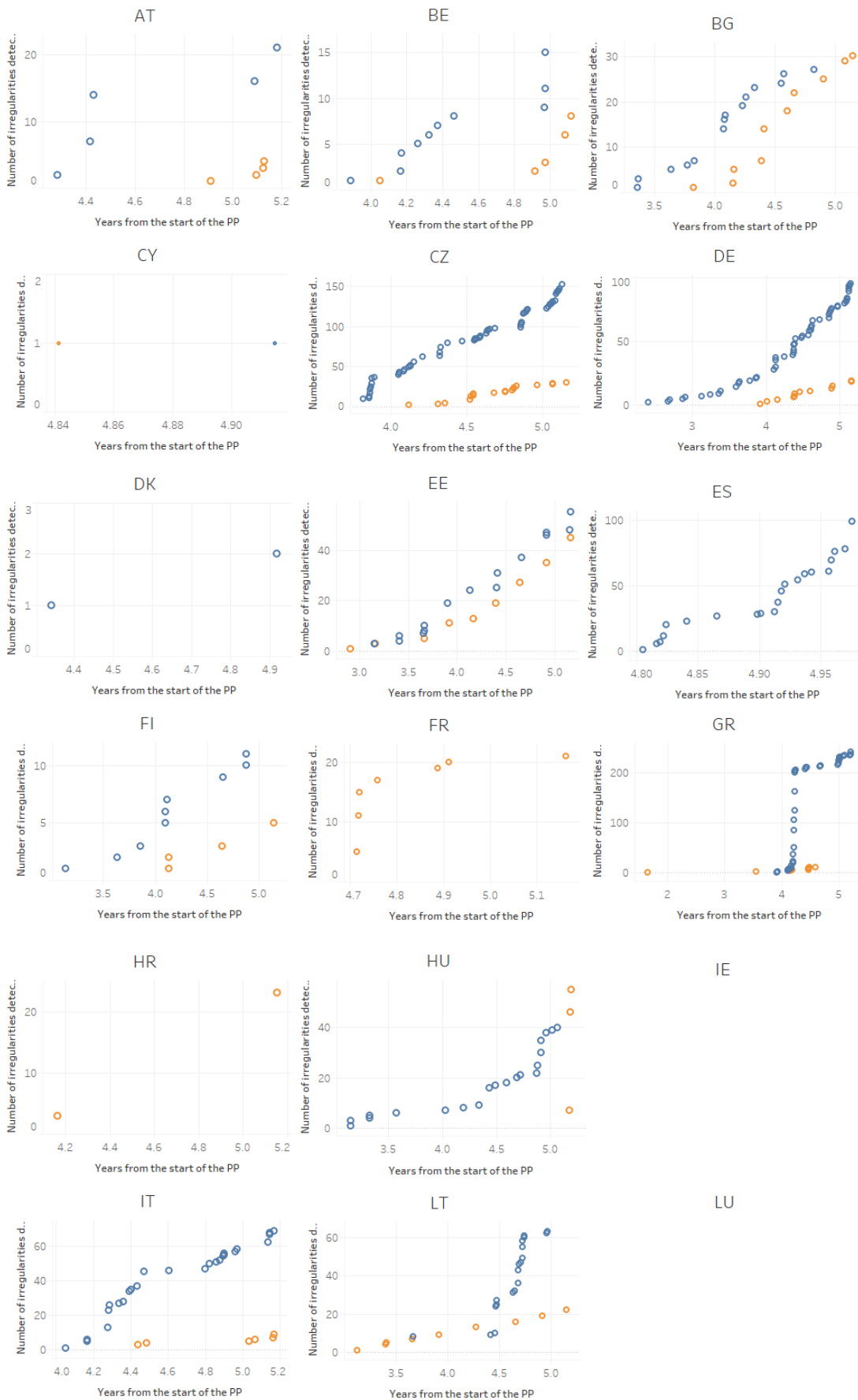
Graph CP15: ESF - Comparison PP 2007-2013 - PP 2014-2020 - Irregularities not reported as fraudulent

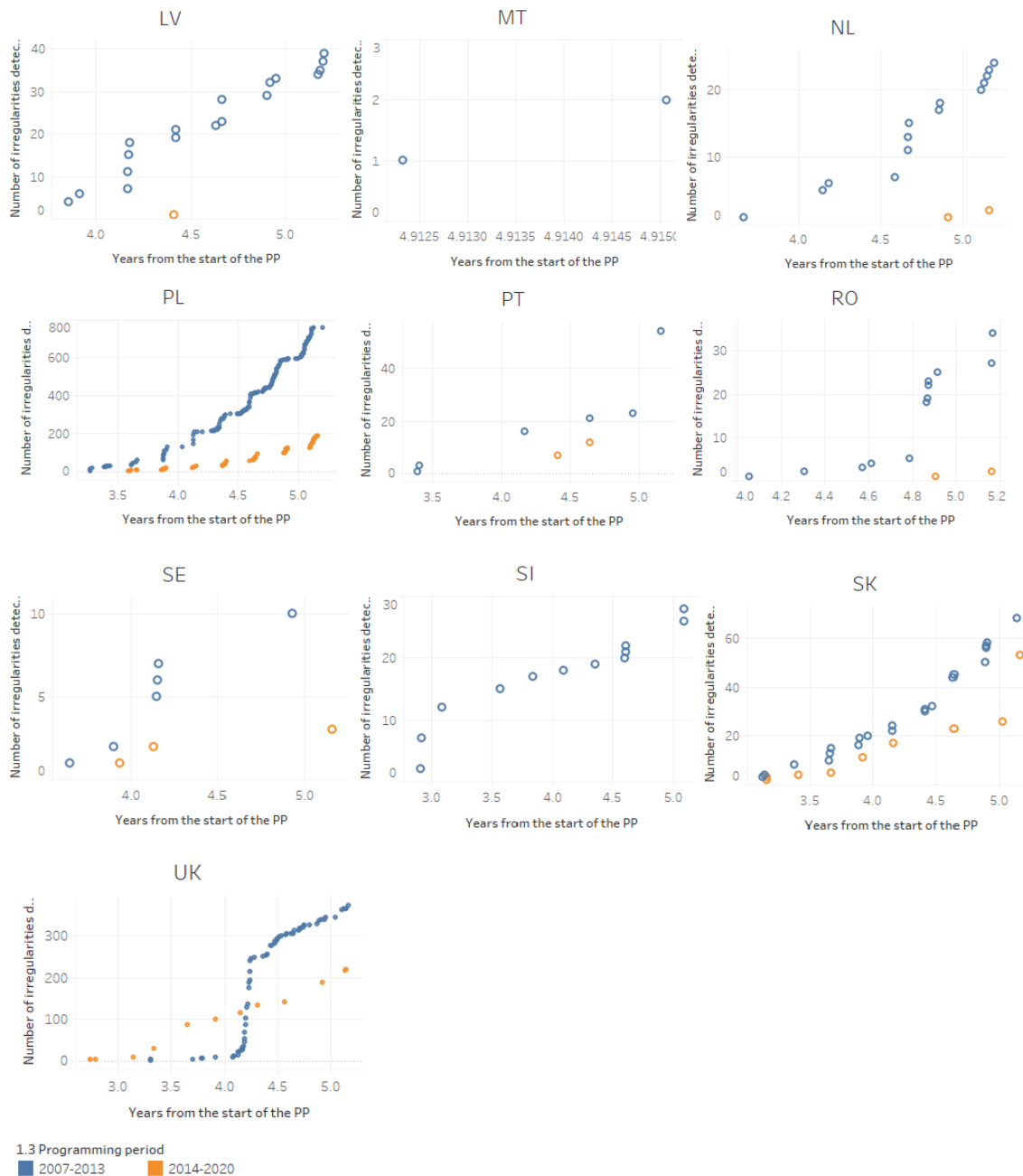


1.3 Programming period  
 ■ 2007-2013 ■ 2014-2020

Given that ERDF showed the widest and most persistent gap between PP 2007-2013 and PP 2014-2020, Graph CP16 shows the comparison, MS by MS, in terms of number of irregularities not reported as fraudulent, with specific reference to this fund. These data should be read while comparing the stage of implementation of the two PPs, for example on the basis of the payments already received by the Member State (see above). This is outside the scope of this Report, but the competent national authorities can build on it to tailor and deepen the analysis, to ensure that the decrease in reporting is not due to lower quality and intensity of detections and enforcement activities. For the majority of MS, the numbers of non-fraudulent irregularities related to the two PPs are on persistently diverging paths (Austria, Belgium, the Czech Republic, Germany, Spain, Finland, Greece, Italy, Lithuania, Latvia, the Netherlands, Poland, Romania, Sweden, Slovenia). For other Member States, at the cut-off dates, the gap was significant, while there had been times during these five years when the number of non-fraudulent irregularities related to PP 2014-2020 were nearer to those related to PP 2007-2013 (Portugal, Slovakia, the UK). Finally, there are Member States where there was no significant gap (Cyprus, Denmark, Estonia, Malta) or the irregularities related to the current PP were more than those related to PP 2007-2013 (Bulgaria, France, Croatia, Hungary). During the first five years of both PP 2007-2013 and PP 2014-2020, Ireland and Luxembourg have not reported any non-fraudulent irregularity related to ERDF.

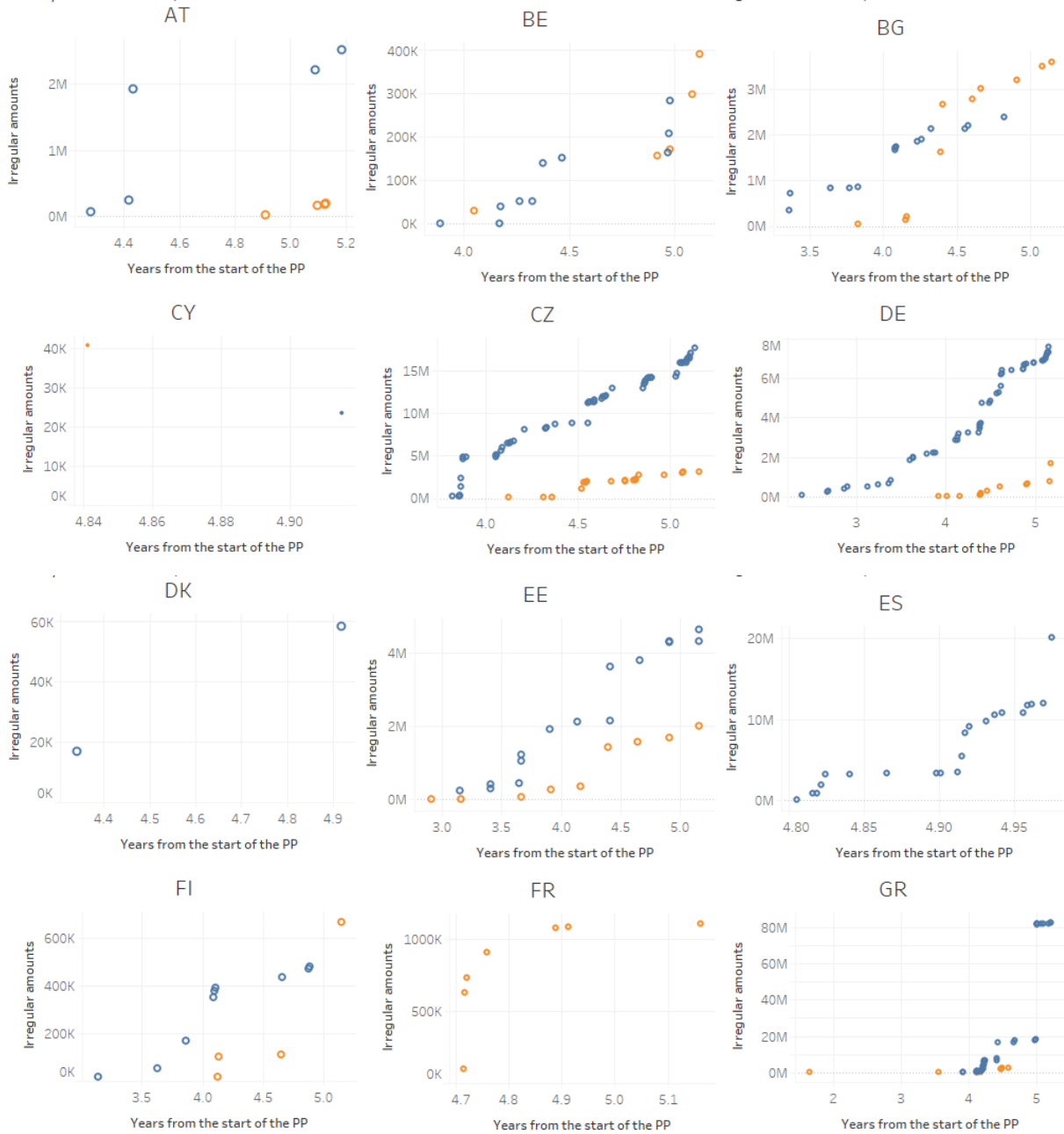
Graph CP16: Comparison PP 2007-2013 - PP 2014-2020 by Member State: ERDF - Irregularities not reported as fraudulent

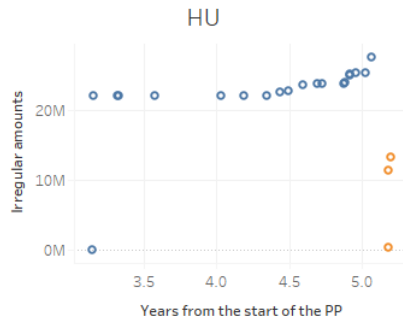
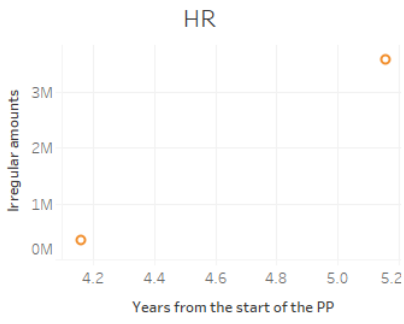




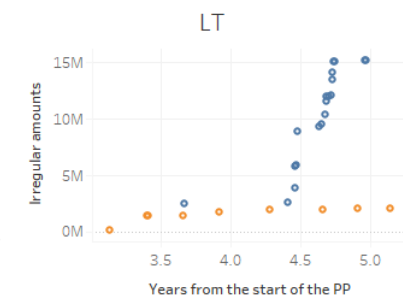
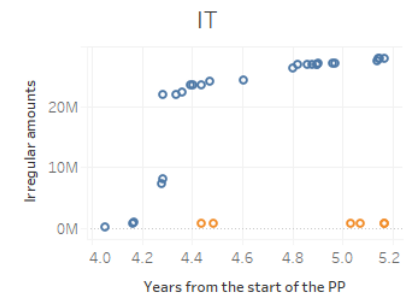
Graphs CP17 shows the same comparison MS by MS, but in terms of financial amounts. For the majority of MS, the financial amounts involved in non-fraudulent irregularities related to the two PPs were on persistently diverging paths (Austria, the Czech Republic, Germany, Spain, Greece, Hungary, Italy, Lithuania, Latvia, the Netherlands, Romania, Sweden, Slovenia, the UK). For other Member States, at the cut-off dates, the gap was significant, while there had been times during these five years when the financial amounts involved in non-fraudulent irregularities related to PP 2014-2020 were nearer to those related to PP 2007-2013 (Estonia, Poland, Portugal). Finally, there are Member States where there was no significant gap (Denmark, Malta) or the irregular financial amounts detected in relation to the current PP were more than those related to PP 2007-2013 (Belgium, Bulgaria, Cyprus, Finland, France, Croatia, Slovakia). As mentioned, during the first five years of both PP 2007-2013 and PP 2014-2020, Ireland and Luxembourg have not reported any non-fraudulent irregularity related to ERDF.

Graph CP17: Comparison PP 2007-2013 - PP 2014-2020 : ERDF - Amounts involved in irregularities not reported as fraudulent

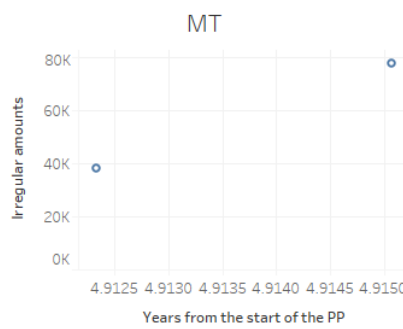
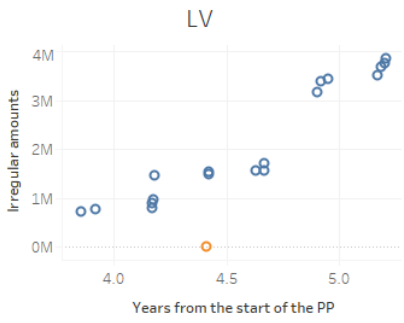




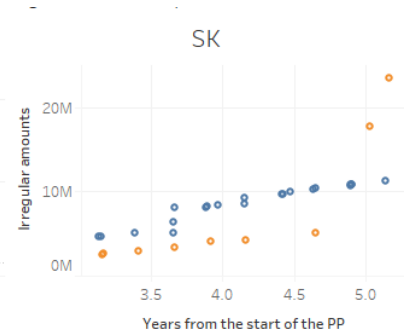
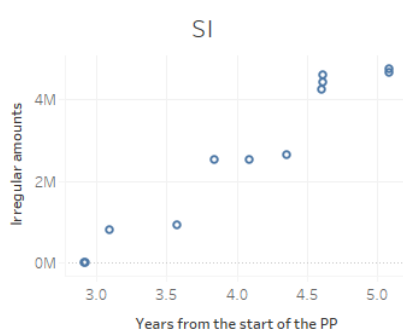
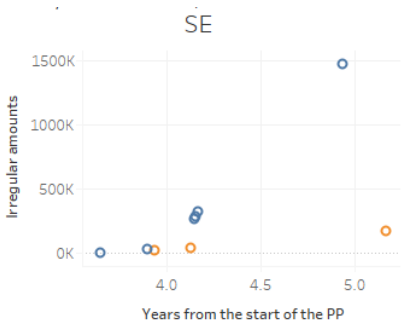
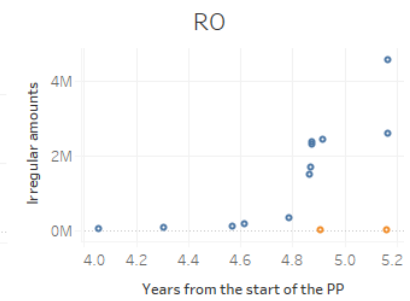
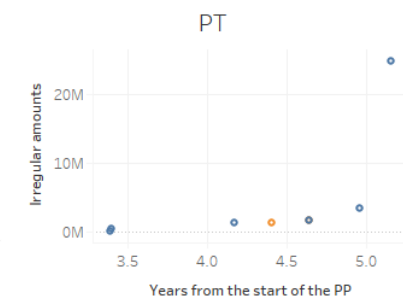
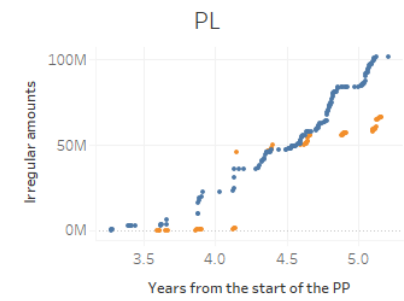
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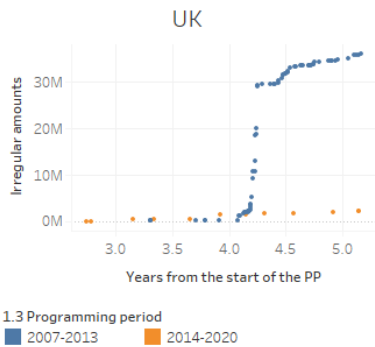


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This comparative analysis between PP 2007-2013 and 2014-2020 suggests the need for the Member States to carefully monitor the situation, also in order to exclude that the decrease of non-fraudulent irregularities reported is due to a decline in the intensity or quality of detection activities. At least in part, this decrease might be a delay due to a slower implementation of PP 2014-2020 in comparison with PP 2007-2013 (see above in this Section). However, this effect should fade down as the implementation of PP 2014-2020 catches up. Besides detection efforts and degree of implementation, other explanatory factors may lay in differences in the management and control systems of the different Member States in relation to the two programming periods, with an impact in terms of prevention.

In general, rules on thematic concentration<sup>22</sup> might have led to more effective spending. Focusing more on the management side, the 2007-2013 National Strategic Reference Frameworks (NSRF) have been replaced with the 2014-2020 Partnership Agreements. *Inter alia*, the latter must present an assessment of the administrative capacities of the authorities involved in implementation of the ESI Funds together with – where necessary – a summary of actions in order to improve them. In addition, the legal framework at the basis of PP 2014-2020 requests the managing authorities put in place effective and proportionate anti-fraud measures taking into account the risks identified.<sup>23</sup> Furthermore, with reference to PP 2014-2020 the possibility to use simplified cost options has been extended, but the impact depends on the extent to which implementing partners took advantage of this possibility.

Another change that can be of relevance to explain the pattern of non-fraudulent irregularities is the introduction of annual accounts that are prepared by the Member States and then examined and accepted by the EC each year (instead of at the closure of the programming period only). An unqualified audit opinion is necessary to accept accounts.<sup>24</sup> This might have contributed to strengthening internal control at Member State level. In this framework, Member States may have an increased tendency to exclude from the annual accounts expenditure for which they have doubts about legality and regularity; this expenditure can be included in an application for interim payment relating to subsequent accounting years, while for the current year, it is automatically recovered by the EC (without constituting a financial correction and without reducing support from the Fund to the relevant operational programme).

<sup>22</sup> Obligation for Member States to concentrate support on interventions that bring the greatest added value in relation to the Europe 2020 strategy. A key focus is concentrating ERDF and ESF financial allocations on a limited set of thematic objectives or investment priorities.

<sup>23</sup> Article 125(c) of the Common Provisions Regulation 1303/2013.

<sup>24</sup> The accounting year starts on 1 July and ends on 30 June (except for the first accounting period). The certifying authority prepares the annual accounts for the operational programme, which are then submitted to the EC together with the management declaration of assurance, the annual summary of controls prepared by the managing authority, and the accompanying control report and audit opinion prepared by the audit authority. The EC examines these documents, in view of issuing a yearly declaration of assurance.



These are just a few examples of factors that might potentially influence the number of irregularities reported, but the actual relevance and impact of these or other changes in the different Member States should be properly evaluated before being taken as the explanation of a persistent decline in detections.

Changes in the legal framework and implementation context, including anti-fraud systems, may be reflected in the most reported types of irregularities detected by the Member States. The following Tables provide an overview for the irregularities reported as fraudulent (Table CP12) and not reported as fraudulent (Table CP13) by the Member States in relation to PP 2007-2013 and PP 2014-2020. As above, for PP 2007-2013, only the irregularities that had been reported after a comparable period of time from the start of the programming period are considered.

Table CP12: PP 2014-20 - Categories of irregularity/Modus operandi related to irregularities reported as fraudulent - Comparison with PP 2007-2013 (Cohesion policy)

Categories of irregularities	Programming period			
	2014-2020		2007-2013	
	Total	Amounts involved	Total	Amounts involved
	N	EUR	N	EUR
Incorrect, missing, false or falsified supporting documents	104	35,826,034	78	18,031,652
Infringement of public procurement rules	40	18,495,139	18	99,171,570
Infringement of contract provisions/rules	30	631,958,704	83	155,567,720
Ethics and integrity	26	10,009,831	8	83,318,666
Violations/breaches by the operator	13	4,570,590	4	223,605
Product, species and/or land	11	4,252,503	0	0
Infringements concerning the request	11	3,757,577	12	6,273,448
Incorrect, absent, falsified accounts	11	2,739,501	14	2,074,525
Eligibility / Legitimacy of expenditure/measure	4	8,221,221	79	13,923,497
Bankruptcy	1	145,732	4	320,652
Multiple financing	1	19,600	5	206,479
Other	20	9,791,288	18	13,878,477
blank	6	15,227,237	2	470,422
<b>Irregularities reported and related financial amounts</b>	<b>233</b>	<b>730,741,758</b>	<b>199</b>	<b>272,774,674</b>

Table CP13: PP 2014-20 - Categories of irregularity/Modus operandi related to irregularities not reported as fraudulent - Comparison with PP 2007-2013 (Cohesion policy)

Categories of irregularities	Programming period			
	2014-2020		2007-2013	
	Total	Amounts involved	Total	Amounts involved
	N	EUR	N	EUR
Eligibility / Legitimacy of expenditure/measure	483	7,732,097	1,458	136,618,890
Infringement of public procurement rules	390	138,618,769	1,199	240,839,572
Infringement of contract provisions/rules	203	41,900,878	557	81,893,039
Incorrect, missing, false or falsified supporting documents	134	9,600,418	368	55,993,541
Incorrect, absent, falsified accounts	71	5,583,262	100	5,523,849
Infringements concerning the request	23	2,568,926	28	11,335,457
Product, species and/or land	15	3,327,090	1	35,007
Violations/breaches by the operator	15	1,392,432	53	71,598,980
Bankruptcy	6	196,972	8	998,902
Multiple financing	3	152,914	42	2,580,340
Movement	3	68,176	0	0
Ethics and integrity	2	453,083	3	407,284
State aid	1	18,419	0	0
Other	110	68,772,259	205	35,879,246
blank	47	19,254,940	26	908,336
<b>Irregularities reported and related financial amounts</b>	<b>1,400</b>	<b>288,866,646</b>	<b>3,283</b>	<b>517,987,958</b>

For the irregularities reported as fraudulent, Table CP12 shows significant increases in the number of cases related to incorrect/missing or false documents, infringement of public procurement rules and ethics & integrity, which nevertheless were not always accompanied by increases in the financial amounts involved. The most significant declines concerned violations related to eligibility/legitimacy of expenditure or measure and the infringement of contract provisions/rules.

For the irregularities not reported as fraudulent, Table CP13 shows that for each of the four most reported categories for PP 2014-2020, the number of cases where they were mentioned is about one third of the number of cases where they had been mentioned for PP 2007-2013

after a comparable period of time. In relative terms, multiple financing experienced the biggest decrease, while infringements concerning the request, accounts and bankruptcy were more stable with respect to PP 2007-2013. 'Product, species and/or land' was the only category with an increase in comparison with PP 2007-2013. Most of these violations were reported by Poland and mainly concerned variations in quality or content.

#### 4.2. Specific Analysis – Irregularities reported in relation to the Programming Period 2007-13

This Section of the analysis focuses on the irregularities reported in relation to the PP 2007-13. The closure for the programming period started in March 2017<sup>25</sup>; it therefore offers an ideal opportunity to present an overview of what has happened. Consequently, the analysis will cover a greater time span than the previous Section (2014 to 2018), to examine all information available, which dates back to 2008. Comparisons between the first years of implementation of PP 2007-2013 and the situation concerning PP 2014-2020 until December 2018 are included, as relevant.

It will cover the following aspects:

- Objectives;
- Priorities and themes affected;
- Types of irregularity

##### 4.2.1. Objectives concerned by the reported irregularities

The reported irregularities followed the pattern that could be expected in relation to the implementation cycle (Table CP14). The majority of the irregularities were notified over the period 2015-2017, which was between the ninth and eleventh year from the start of the programming period. They mainly concerned the Convergence objective (60% of the total), in line with the fact that this is the objective to which the greatest financial resources are allocated and in relation to which higher risks are associated. The anomaly concerning the year 2015 has already been explained (see Section 4.1). For 186 irregularities, the objective was not mentioned by the Member States.

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<sup>25</sup> The deadline for the presentation of the documents for closure was 31 March 2017.

Table CP14: Number of irregularities reported in relation to the programming period 2007-13 by objective - Cohesion and Fisheries Policies

Objective	REPORTING YEAR											TOTAL
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	
	N	N	N	N	N	N	N	N	N	N	N	
Convergence	7	121	711	1498	2118	2669	2907	5221	4920	3413	881	24,466
Competitiveness and Employment	0	9	351	404	494	788	890	3156	1826	687	105	8,710
Territorial Cooperation	0	0	14	39	46	78	116	98	152	56	4	603
Multiobjective	0	30	152	225	495	763	708	1321	1314	706	99	5,813
Fisheries	0	0	6	30	75	144	81	180	261	192	29	998
null	0	0	0	3	0	2	15	106	42	15	3	186
<b>TOTAL</b>	<b>7</b>	<b>160</b>	<b>1,234</b>	<b>2,199</b>	<b>3,228</b>	<b>4,444</b>	<b>4,717</b>	<b>10,082</b>	<b>8,515</b>	<b>5,069</b>	<b>1,121</b>	<b>40,776</b>

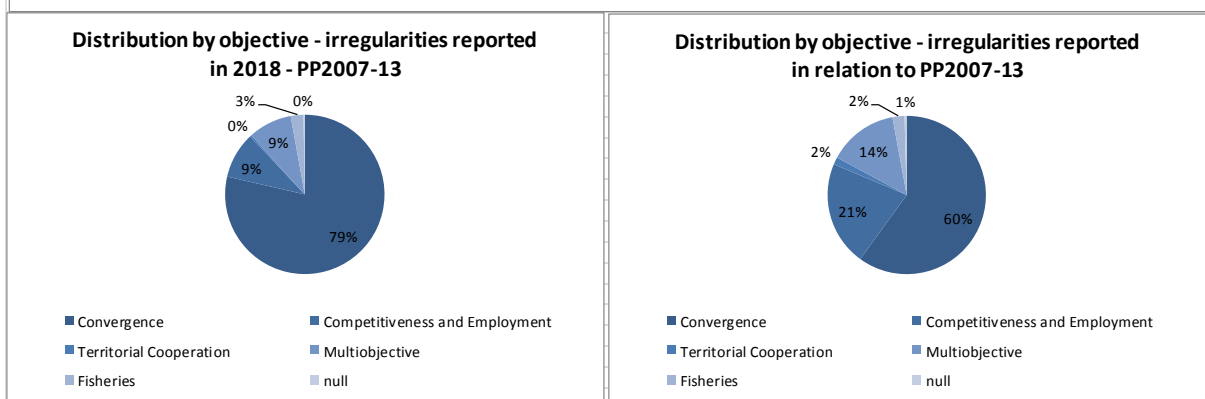
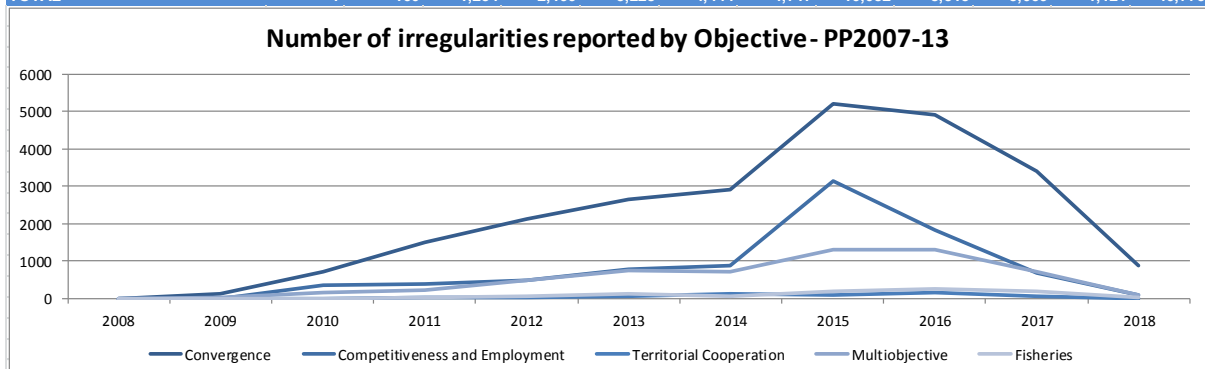


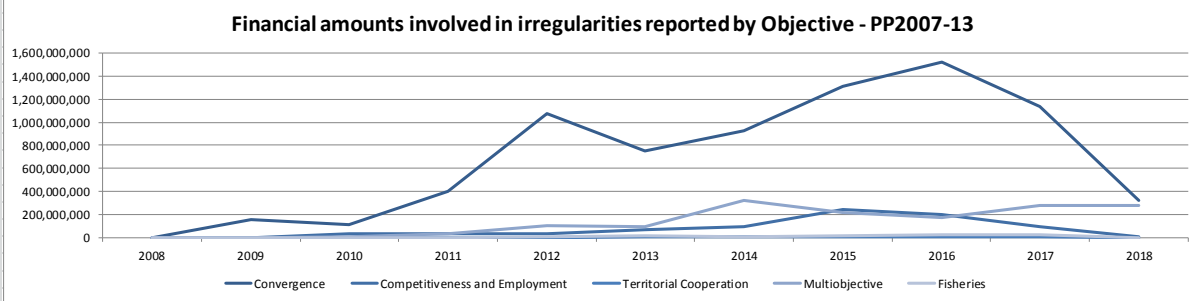
Table CP15 provides information about the financial amounts involved in the reported irregularities. They broadly followed the same pattern of the number of irregularities in Table CP14, with the exception of the amounts linked to:

- the Convergence objective reported in 2012, which exceeded those related to the following two years, and those related to 2016, which were higher than those reported in 2015 (which was instead the peak, in terms of numbers). In 2016, irregular amounts reported in relation to the Cohesion Fund were exceptionally high, as already showed in Table CP3 and highlighted in Section 4.1;
- the Multiobjective actions reported in 2018, where the irregularities fell abruptly while the financial amounts involved were stable. This was impacted by two cases reported in 2018 by Slovakia, whose irregular financial amounts summed up to about EUR 160 million. To put it into perspective, it can be considered that the two biggest cases reported during the previous year (by Spain) summed up the about EUR 75 million. See also Section 4.2.1.1, about fraudulent irregularities.

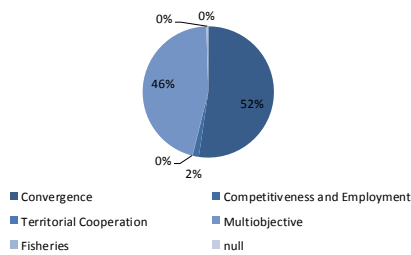
As for the number of irregularities, the majority of financial amounts were notified during the period 2015-2017 and mainly concerned the Convergence objective (75%).

Table CP15: Financial amounts related to the irregularities reported in relation to the programming period 2007-13 by objective - Cohesion and Fisheries Policies

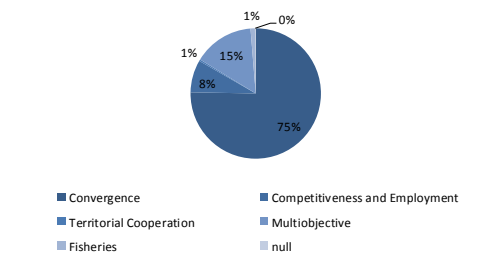
Objective	REPORTING YEAR												TOTAL
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018		
Convergence	71,325	153,248,922	113,646,136	405,177,636	1,078,127,796	748,286,259	928,274,622	1,312,094,034	1,521,036,191	1,137,445,693	320,812,806	7,718,221,420	
Competitiveness and Employment	0	556,264	34,518,212	37,480,973	34,657,794	67,110,522	99,800,459	244,313,867	201,897,220	94,578,637	9,426,204	824,340,152	
Territorial Cooperation	0	0	1,142,832	1,566,362	2,487,433	4,977,539	5,357,883	4,667,046	8,655,619	11,257,728	568,909	40,681,351	
Multiobjective	0	2,371,472	10,404,918	39,218,649	105,137,496	97,080,973	327,294,364	221,766,326	171,623,298	282,629,026	279,531,607	1,537,058,129	
Fisheries	0	0	233,816	577,343	6,778,163	21,305,859	7,798,185	21,210,784	28,315,907	23,271,803	2,187,449	111,679,309	
null	0	0	0	676,946	0	408,814	852,074	8,122,462	7,385,910	1,673,491	758,878	19,878,575	
<b>TOTAL</b>	<b>71,325</b>	<b>156,176,658</b>	<b>159,945,914</b>	<b>484,697,909</b>	<b>1,227,188,682</b>	<b>939,169,966</b>	<b>1,369,377,587</b>	<b>1,812,174,519</b>	<b>1,938,914,145</b>	<b>1,550,856,378</b>	<b>613,285,853</b>	<b>10,251,858,936</b>	



Distribution by objective - irregularities reported in 2018 - PP2007-13



Distribution by objective - irregularities reported in relation to PP2007-13



#### 4.2.1.1. Irregularities reported as fraudulent by Objective

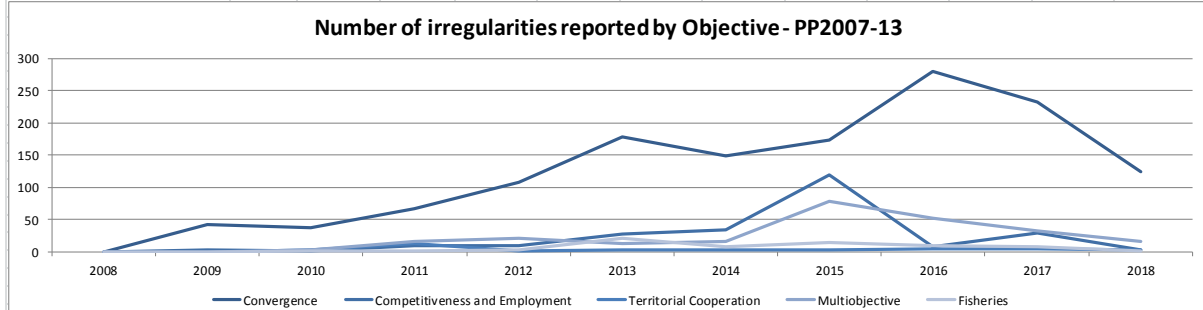
Tables CP16 and CP17 include only the irregularities reported as fraudulent in relation to PP 2007-13. The trends are similar to those presented in the previous Section for all irregularities in relation to PP 2007-13. A difference that is worth highlighting is the strong increase in the number of irregularities in 2016 in relation to Convergence (while the sum of fraudulent and non fraudulent irregularities decreased) and the exceptional drop in 2016 in relation to 'Regional competitiveness and employment'.

With reference to the financial amounts, fluctuations are emphasized, as high profile cases can have a significant impact. It is worth highlighting the record-high reporting of irregular financial amounts in 2018 for the Multiobjective actions. This was due to 4 large cases (with more than EUR 10 million involved in each irregularity) reported by Slovakia, Portugal and the Czech Republic, summing up to about EUR 97 million.

The higher share represented by the Convergence objective in comparison with that presented in the previous Section was also significant (69% of cases and 83% of financial amounts).

Table CP16: Number of irregularities reported as fraudulent in relation to the programming period 2007-13 by objective - Cohesion and Fisheries Policies

Objective	REPORTING YEAR											TOTAL
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	
Convergence	0	43	37	68	108	178	149	174	280	233	124	1,394
Competitiveness and Employment	0	4	1	10	9	28	35	119	8	29	3	246
Territorial Cooperation	0	0	3	13	2	4	3	3	5	5	3	41
Multiobjective	0	0	3	17	22	13	17	79	52	32	17	252
Fisheries	0	0	1	1	4	21	8	15	9	8	1	68
blank	0	0	0	0	0	0	1	7	0	0	1	9
<b>TOTAL</b>	<b>0</b>	<b>47</b>	<b>45</b>	<b>109</b>	<b>145</b>	<b>244</b>	<b>213</b>	<b>397</b>	<b>354</b>	<b>307</b>	<b>149</b>	<b>2,010</b>

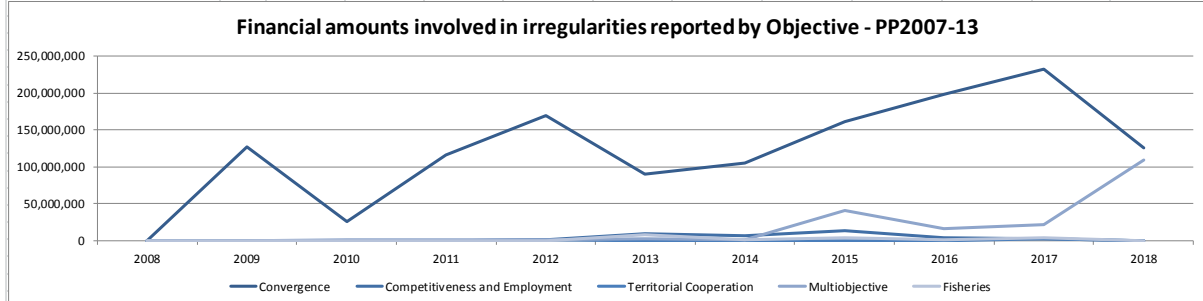


Irregularities reported as fraudulent represented about 4.9% of the total number of irregularities reported for PP 2007-13. The highest percentage (Fraud Frequency Level – FFL<sup>26</sup>) was related to the Fisheries (6.8%), the European Territorial Cooperation (6.8%) and to the Convergence (5.7%) objectives. Regional competitiveness and Employment had the lowest FFL (2.8%).

<sup>26</sup> For details about the calculation of the FFL, see SWD(2016)237final [http://ec.europa.eu/anti-fraud/sites/antifraud/files/methodology\\_statistical\\_evaluation\\_2015\\_en.pdf](http://ec.europa.eu/anti-fraud/sites/antifraud/files/methodology_statistical_evaluation_2015_en.pdf)

Table CP17: Financial amounts related to the irregularities reported as fraudulent in relation to the programming period 2007-13 by objective - Cohesion and Fisheries Policies

Objective	2008		2009		2010		2011		2012		2013		2014		2015		2016		2017		2018		TOTAL	
	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N	
Convergence	0	126,446,858	25,404,532	116,756,104	168,971,915	89,909,325	104,818,930	160,720,551	198,375,272	231,919,800	125,622,730	1,348,946,015												
Competitiveness and Employment	0	470,306	15,168	572,814	831,655	9,272,270	7,494,616	13,456,566	4,716,047	2,605,726	131,202	39,566,370												
Territorial Cooperation	0	0	490,534	166,072	1,173,642	299,272	120,064	540,643	313,757	3,219,958	552,713	6,876,654												
Multiobjective	0	0	1,776,484	675,802	874,925	2,192,631	1,089,849	41,484,116	17,047,134	21,810,062	109,196,343	196,147,348												
Fisheries	0	0	193,916	22,580	542,950	8,852,308	1,773,991	4,519,598	714,601	4,198,541	36,131	20,854,617												
blank	0	0	0	0	0	0	13,427	2,248,447	0	0	296,306	2,558,180												
<b>TOTAL</b>	<b>0</b>	<b>126,917,164</b>	<b>27,880,634</b>	<b>118,193,373</b>	<b>172,395,087</b>	<b>110,525,806</b>	<b>115,310,877</b>	<b>222,969,922</b>	<b>221,166,811</b>	<b>263,754,087</b>	<b>235,835,424</b>	<b>1,614,949,184</b>												



Financial amounts involved in irregularities reported as fraudulent represented about 15.8% of the total reported for PP 2007-13. The highest share (Fraud Amount Level – FAL<sup>27</sup>) was related to Fisheries (18.7%), Convergence (17.5%), the European Territorial Cooperation (16.9%). Regional competitiveness and Employment had the lowest FAL (4.8%).

The difference between FFL and FAL indicates the higher financial impact of fraudulent irregularities compared to the non-fraudulent infringements; the average financial value involved in irregularities reported as fraudulent is more than three times higher than that related to the non-fraudulent types.

#### 4.2.1.2. Fraud and Irregularity Detection Rates by Objective

Table CP18 shows the FDR and the IDR per objective.

Objective	Irregularities detected and reported PP 2007-2013 / Expenditure PP 2007-13 (1)		
	% FDR	% IDR	% Total
Convergence (1)	0.5	2.6	3.1
Competitiveness and Employment (1)	0.1	1.7	1.8
Territorial cooperation (1)	0.1	0.4	0.5
Multiobjective (1)	0.4	3.0	3.4
Fisheries (2)	0.5	2.4	2.9
<b>Total (1)</b>	<b>0.46</b>	<b>2.5</b>	<b>2.9</b>

(1) Calculations based on the decided amounts

(2) Calculations based on net payments made

<sup>27</sup> For details about the calculation of the FAL, see SWD(2016)237final [http://ec.europa.eu/anti-fraud/sites/antifraud/files/methodology\\_statistical\\_evaluation\\_2015\\_en.pdf](http://ec.europa.eu/anti-fraud/sites/antifraud/files/methodology_statistical_evaluation_2015_en.pdf)

Looking at the overall detection rate (FDR+IDR), Regional competitiveness and employment programmes show a relatively low level of detection. European Territorial Cooperation programmes, however, show an anomalously low level of detection (about four times lower than the previous objective), especially if one considers that the previous two indicators (FFL and FAL) were high. The situation is different for Multiobjective programmes, Convergence and Fisheries where the detection rate is about 3%.

#### 4.2.2. *Priorities concerned by the reported irregularities*

##### 4.2.2.1. *Irregularities reported as fraudulent (fisheries not included)*

The operational programmes financed by the Cohesion Policy are implemented in relation to the already mentioned objectives, but also along identified Priorities and Themes.

The information provided by the Member States allows for an analysis of the priority areas in relation to which projects potentially affected by fraudulent practices have been identified.

Table CP19 shows the number of irregularities reported as fraudulent by priority area since the beginning of the PP 2007-13, their related financial amounts, the average amount per irregularity, FFL, FAL and FDR.

In terms of numbers, the 'Priorities' most concerned were '*Research and Technological Development (RTD)*', '*Increasing the adaptability of workers and firms, enterprises and entrepreneurs*' and '*Improving access to employment and sustainability*'. Irregularities reported as fraudulent in relation to these three priorities represented about 39% of the total.

FFL was highest for '*Tourism*' (11.8%) and the top four priorities (in terms of FFL) in Table CP19 were all above or about 9%, which was nearly double the average.

From the financial amounts point of view, the most significant impact concerned '*RTD*' and '*Transport*'. Financial amounts related to the irregularities reported as fraudulent in relation to these two priorities represented 44% of the total. '*Transport*' retained by far the highest average value, about eight times *R&TD* and nine times the overall average. These two priorities were followed, at a distance, by another group of priorities that were affected by significant irregular financial amounts: '*Urban and rural regeneration*', '*Tourism*' and '*Environmental protection and risk prevention*'.

FAL was highest for '*Tourism*' (34%), '*Urban and rural regeneration*' (33%), '*Improving human capital*' (32%). The priorities '*Tourism*' and '*Urban and rural regeneration*' stood out in terms of FDR.

Table CP 19: PP2007-13 - Irregularities reported as fraudulent by Priority

Priority	Irregularities reported as fraudulent					
	Total	Amounts involved	Average amount	FFL	FAL	FDR (1)
	N	EUR	EUR	%	%	%
Research and technological development (R&TD), innovation and entrepreneurship	457	395,626,424	865,703	8.6%	18.1%	0.6%
Transport	40	310,830,745	7,770,769	2.1%	16.7%	0.4%
Urban and rural regeneration	90	90,019,660	1,000,218	6.6%	32.9%	0.9%
Tourism	128	81,897,785	639,826	11.8%	33.9%	1.4%
Environmental protection and risk prevention	69	77,204,484	1,118,906	2.7%	11.3%	0.2%
Improving human capital	94	46,333,411	492,909	5.6%	32.0%	0.2%
Investment in social infrastructure	106	39,756,111	187,696	5.5%	11.4%	0.2%
Increasing the adaptability of workers and firms, enterprises	164	30,782,128	781,787	9.7%	17.8%	0.2%
Information society	37	28,926,130	781,787	2.8%	9.0%	0.2%
Improving access to employment and sustainability	143	15,661,340	109,520	8.9%	9.5%	0.1%
Energy	30	14,122,857	470,762	6.1%	12.3%	0.1%
Strengthening institutional capacity at national, regional and local level	33	5,128,955	155,423	9.9%	14.5%	0.2%
Improving the social inclusion of less-favoured persons	44	4,669,864	106,133	5.8%	10.1%	0.0%
Technical assistance - fisheries	9	2,472,002	274,667	4.1%	3.6%	N/A
Culture	4	2,338,030	39,833	1.1%	4.3%	0.0%
Measures of common interest - fisheries	4	159,333	26,511	9.8%	0.3%	N/A
Technical assistance	2	53,023	26,511	0.6%	0.1%	0.0%
Null (2)	487	448,092,372	920,108	2.9%	13.6%	N/A
<b>TOTAL</b>	<b>1,941</b>	<b>1,594,074,654</b>	<b>821,265</b>	<b>4.9%</b>	<b>15.7%</b>	<b>0.46%</b>
<b>% of (blank) on Total</b>	<b>25.1%</b>	<b>28.1%</b>				

(1) FDR is calculated as amounts involved in irregularities affecting a specific priority (third column) divided by the amounts decided for the same priority

(2) It includes 3 irregularities reported as referring to PP 2007-2013, but for which a priority referring to PP 2014-2020 was mentioned. At the denominator, the calculation of FFL includes 25 such cases

Irregularities linked to the EFF have not been included. Reference to 'Technical assistance Fisheries' and 'Measures of common interest – fishery' in Table CP19 may depend on errors in encoding by Member States.

For about 25% of the irregularities used for this analysis, information was not provided about the priority area concerned, decreasing in comparison with previous years.

Table CP20 is related to PP 2014-20. It shows the number of irregularities reported as fraudulent by priority area since the beginning of the PP, their related financial amounts, and allows the comparison with the situation concerning PP 2007-2013 when the same period of time had passed after the start of the programming period. Comparison with the full 2007-2013 would be misleading as projects pertaining to different priorities can have different timelines for the implementation; this may influence the time when irregularities are more likely to be detected. This is possibly the reason why only one irregularity has been reported with reference to the priority 'Transport' for PP 2014-2020. In fact, this happened also for PP 2007-2013 when the same amount of time had passed after the start of the programming period (see Table CP20).

The priorities for the PP 2014-2020 are listed in the Commission Implementing Regulations (EU) 184/2014 and 215/2014 and they are different from the priorities for PP 2007-2013. In Table CP20, the priorities for PP 2014-2020 are reported in white; contrary to the Regulations in force, the Member States continued to encode the irregularities in IMS using the priorities that were valid for PP 2007-2013. The correct priorities were used only in 3 cases out of 233.

First of all, in Table CP20, it can be noticed that the fraudulent irregularities detected by the Member States increased by about 15%, from 199 to 233. The number of cases where the priority was not specified decreased from more than 50% to 15%, which was a remarkable improvement. However, this improvement impacts on the comparison at the level of single



priorities, because, to a different extent, increases in the number of irregularities may have been underpinned by the higher number of irregularities for which the priority has been specified rather than by the higher number of detections. This is impacting even more the analysis of the non-fraudulent irregularities (see Section 4.2.2.2).

With reference to PP 2014-2020, the prevalence of the priority '*R&TD*' was even more marked than for PP 2007-2013<sup>28</sup>. The priority '*Improving access to employment and sustainability*' ranked second in relation to PP 2014-2020, with a number of cases similar to PP 2007-2013, but higher financial amounts involved. A relatively high number of irregularities (and related financial amounts) have been detected in relation to '*Environment protection and risk prevention*', which was not yet the case at the same stage of PP 2007-2013. This is mostly due to reporting by Slovakia (see also Section 4.2.2.3).

Table CP 20: PP2014-20 - Irregularities reported as fraudulent by Priority - Comparison with PP 2007-2013

Priority	Programming period			
	2014-2020		2007-2013	
	Total	Amounts involved	Total	Amounts involved
	N	EUR	N	EUR
Research and technological development (R&TD), innovation and entrepreneurship	91	670,733,145	22	15,678,139
Productive investment	1	1,828,516		
Development of endogenous potential	1	337,605		
Improving access to employment and sustainability	32	7,336,991	30	532,452
Environmental protection and risk prevention	25	11,733,851		
Improving human capital	15	3,082,119	8	588,363
Increasing the adaptability of workers and firms, enterprises	11	1,402,859	12	920,630
Improving the social inclusion of less-favoured persons	9	891,648	3	83,702
Promoting social inclusion, combating poverty and any discrimination	1	329,347		
Energy	3	1,299,979		
Transport	2	490,044	2	13,091,595
Investment in social infrastructure	2	360,758	6	998,642
Information society	1	2,028,823	5	5,785,317
Urban and rural regeneration	1	1,553	3	274,098
Tourism			1	187,500
Strengthening institutional capacity at national, regional and local level			1	43,591
Technical assistance			1	23,705
Measures of common interest - fisheries	3	64,031		
Null	35	28,820,487	105	234,566,938
<b>TOTAL</b>	<b>233</b>	<b>730,741,758</b>	<b>199</b>	<b>272,774,674</b>
<b>% of (blank) on Total</b>	<b>15.0%</b>		<b>52.8%</b>	

#### 4.2.2.2. Irregularities not reported as fraudulent (fisheries not included)

The same analysis showed in the previous Section for the irregularities reported as fraudulent is presented here for the irregularities not reported as fraudulent in relation to the PP 2007-13.

Table CP21 provides an overview of the number of irregularities not reported as fraudulent by priority area since the beginning of the PP 2007-13, their related financial amounts and average amount per irregularity and IDR.

Again, '*Research and Technological Development (R&TD)*' was the priority with the highest number of occurrences, followed by '*Environmental protection and risk prevention*'. Then there was a group of four priorities that recorded between 1 500 and 2 000 irregularities each.

<sup>28</sup> The exceptional financial amount related to these irregularities was due to 2 cases reported by Slovakia, accounting for about EUR 600 million.

Two of them relate to investments in infrastructures ('Investment in social infrastructure' and 'Transport') while the other two refer more to investing in human capital ('Improving human capital' and 'Increasing the adaptability of workers and firms, enterprises and entrepreneurs'). 'Research and Technological Development (R&TD)' was first also in terms of financial amounts, closely followed by 'Transport' and, at a distance, by 'Environmental protection and risk prevention'. Irregularities linked to these three priorities together represent 24% of the total number and 46% of the total amounts.

The priorities 'Tourism', 'Research and Technological Development (R&TD)', 'Information society' and 'Transport' show a IDR higher than or equal to 2%.

Priority	Irregularities not reported as fraudulent			
	Total	Amounts involved	Average amount	IDR (1)
	N	EUR	EUR	%
Research and technological development (R&TD), innovation and entrepreneurship	4,868	1,788,088,934	367,315	2.6%
Transport	1,833	1,555,433,190	848,572	2.0%
Environmental protection and risk prevention	2,510	608,493,099	242,428	1.3%
Investment in social infrastructure	1,823	309,746,746	169,910	1.6%
Information society	1,308	293,333,607	224,261	2.1%
Tourism	959	159,869,911	166,705	2.8%
Urban and rural regeneration	1,271	183,651,068	144,493	1.8%
Improving access to employment and sustainability	1,463	149,639,302	102,283	0.6%
Increasing the adaptability of workers and firms, enterprises and entrepreneurs	1,534	142,596,049	92,957	1.2%
Energy	465	100,901,853	216,993	0.8%
Improving human capital	1,579	98,456,663	62,354	0.4%
Culture	346	51,778,238	149,648	0.8%
Technical assistance	322	48,452,183	150,473	0.5%
Improving the social inclusion of less-favoured persons	718	41,762,285	58,165	0.4%
Strengthening institutional capacity at national, regional and local level	302	30,364,474	100,545	1.4%
Mobilisation for reforms in the fields of employment and inclusion	69	5,852,911	84,825	0.6%
Reduction of additional costs hindering the outermost regions development	31	5,746,495	185,371	0.9%
Measures for the adaptation of the Community fishing fleet	1	11,047	11,047	N/A
Technical assistance - fisheries	210	66,398,644	316,184	N/A
Measures of common interest - fisheries	37	62,364,680	1,685,532	N/A
Aquaculture, inland fishing, processing and marketing of fishery and aquaculture products	3	199,880	66,627	N/A
Sustainable development of fishery areas	3	140,166	46,722	
Null (2)	16,161	2,841,431,749	175,820	N/A
<b>TOTAL</b>	<b>37,816</b>	<b>8,544,713,172</b>	<b>225,955</b>	<b>2.47%</b>
<b>% of (blank) on Total</b>	<b>42.7%</b>	<b>33.3%</b>		

(1) IDR is calculated as amounts involved in irregularities affecting a specific priority (third column) divided by the amounts decided for the same priority

(2) It includes 22 irregularities reported as referring to PP 2007-2013, accounting for less than EUR 6mn. At the denominator, the calculation of FFL includes 25 such cases

Irregularities linked to the ERF have not been included. Reference to priorities specific to this policy area may depend on errors in encoding by national authorities.

The number of cases not reported as fraudulent for which information about the priority area concerned was missing remained high (43%) and higher than for the fraudulent irregularities, while it was improving.

Table CP22 is related to PP 2014-20. It shows the number of irregularities not reported as fraudulent by priority area since the beginning of the PP, their related financial amounts, and allows the comparison with the situation concerning PP 2007-2013 when the same period of time had passed after the start of the programming period. As mentioned above, there are new

priorities for PP 2014-2020; they are reported in white in Table CP22. Contrary to the Regulations in force, the Member States continued to encode the irregularities in IMS using the priorities that were valid for PP 2007-2013. The correct priorities were used only in about 50 cases out of 1 400.

First of all, it can be noticed that the non-fraudulent irregularities detected by the Member States decreased by about 60%, as already highlighted in Section 4.1.3. The number of cases where the priority was not specified decreased from more than 63% to 16%, which was a remarkable improvement. As mentioned, this improvement has a significant impact on the comparison between single priorities in different programming periods. In relation to the first five years of implementation of PP 2007-2013, 2 070 non-fraudulent irregularities had been left with no specification of the affected priority. In relation to PP 2014-2020, this declined to just 218.

Table CP 22: PP2014-20 - Irregularities not reported as fraudulent by Priority - Comparison with PP 2007-2013

Priority	Programming period			
	2014-2020		2007-2013	
	Total	Amounts involved	Total	Amounts involved
	N	EUR	N	EUR
Research and technological development (R&TD), innovation and entrepreneurship	276	84,251,810	159	27,744,224
Development of endogenous potential	16	3,113,983		
Productive investment	4	98,663	1	34,295
Environmental protection and risk prevention	76	68,716,352	100	18,657,883
Transport	61	37,888,301	202	63,011,940
Infrastructure providing basic services and related	4	243,919		
Improving access to employment and sustainability	166	21,032,228	109	23,183,494
Promoting sustainable and quality employment and supporting labour mobility	2	63,866		
Information society	38	4,489,818	51	6,817,592
Improving human capital	172	4,033,557	88	3,566,871
Energy	84	3,398,369	7	280,254
Increasing the adaptability of workers and firms, enterprises	28	2,206,529	93	5,354,193
Strengthening institutional capacity at national, regional and local level	4	1,809,426	13	1,319,147
Enhancing institutional capacity of public authorities and stakeholders and efficient public administration	1	28,074		
Investment in social infrastructure	28	1,634,859	190	24,525,261
Social, health and education infrastructure and related investment	11	1,688,003		
Investing in education, training and vocational training for skills and lifelong learning	8	1,557,420		
Urban and rural regeneration	15	1,508,307	52	8,704,277
Technical assistance	58	1,283,789	12	417,638
Technical assistance (IX)	2	415,972		
Improving the social inclusion of less-favoured persons	83	1,181,750	32	1,832,411
Promoting social inclusion, combating poverty and any discrimination	1	27,461		
Culture	11	751,770	30	6,106,566
Tourism	1	43,293	47	5,901,371
Mobilisation for reforms in the fields of employment and inclusion			6	326,774
Technical assistance - fisheries	27	2,169,766	20	7,905,761
Measures of common interest - fisheries	5	257,438	1	11,923
	218	44,971,922	2,070	312,286,083
<b>TOTAL</b>	<b>1,400</b>	<b>288,866,646</b>	<b>3,283</b>	<b>517,987,959</b>
% of (blank) on Total	15.6%		63.1%	

'R&TD' was the priority most affected by irregularities, with an increasing number of cases and financial amounts involved, with respect to PP 2007-2013. The priority that recorded the highest relative increase in numbers was 'Energy', mostly due to reporting by the UK and Poland. For several other priorities, the number of irregularities increased, but it must be

considered that, to a different extent, this may have been influenced by the huge difference between the two PP, in terms of cases where the priority was not specified (see Section 4.2.2.1). Despite this, 'Transport' fell to less than one third of the number of cases reported for PP 2007-2013 after the same period from the start of the programming period. However, the financial amounts decreased only by less than a half. A similar pattern was being followed by 'Increasing the adaptability of workers and firms, enterprises and entrepreneurs' and 'Investment in social infrastructure'. However, for the latter, the financial amounts decreased much more. It can be considered that the new priorities 'Social, health and education infrastructure and related' and 'Investing in education, training and vocational training for skills and lifelong learning investment' covered similar initiatives, but with 19 irregularities reported, they could not compensate.

Apart from 'R&TD', 'Environmental protection and risk prevention' was basically the only priority which recorded a significant increase in financial amounts in PP 2014-2020.

#### 4.2.2.3. PP 2007-2013: irregularities related to the priorities 'Tourism' and 'Environment' by theme

In last year's Report<sup>29</sup>, an analysis by themes of the priorities 'R&TD' and 'Transport' has been presented. The irregularities reported during 2018 did not change significantly the picture - which consolidated already during the previous eleven years of the PP. However, the financial amounts involved in irregularities reported as fraudulent in relation to the priority 'R&TD' increased by about EUR 100 million (+33%). About half of this increase was due to 2 cases reported by Slovakia concerning the themes 'RTD activities in research centers' and 'Technology transfer and improvement of cooperation networks involving SMEs'. The latter was significantly impacted also by two other cases reported by Slovakia as non-fraudulent and accounting for about EUR 160 million.

Concerning the impact of potential fraud on the priority 'Transport', the financial amounts involved in irregularities concerning the themes:

- 'Railways' significantly decreased (-70%), as a result of three cases cancelled by Italy;
- 'National roads' increased nearly fivefold, because of a new irregularity detected by Romania and a case reported by Italy in 2016, which has been re-classified as fraudulent and to which much higher irregular financial amounts have been associated.

In terms of number of non-fraudulent irregularities, 'Regional/local roads' remained the most affected theme, with 44% of the total. In terms of financial amounts, the themes 'Railways' and 'Motorways (TEN-T)' were still the most impacted, accounting together for about 58% of the total. The irregular financial amounts involved in the theme 'Railways' increased by about EUR 20 million<sup>30</sup> (which is just about 5%) but the number of irregularities increased by 37%, mainly due to cases reported by Italy<sup>31</sup>.

Given the above, this year the analysis of two other priorities is provided:

- 'Tourism', which is the priority with the highest incidence of fraud;

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<sup>29</sup> Report from the Commission to the European Parliament and the Council – 29<sup>th</sup> Annual Report on the Protection of the European Union's Financial Interests – Fight against Fraud – 2017', COM(2018)553

<sup>30</sup> About half is due to one case reported in 2018 where exceptional financial amounts were involved.

<sup>31</sup> To some extent the increase is due also to cases already reported in the past, for which the theme has now been specified.

- ‘*Environmental protection and risk prevention*’, which is a priority that ranks among the most affected by non-fraudulent irregularities and recorded the second highest average financial amount related to fraudulent irregularities.

### *Tourism*

As mentioned, ‘*Tourism*’ is the priority with the highest FFL (11.8%), FAL (34%) and FDR (1.4%). In addition, it has the highest IDR.

Figure CP1 details the specific priority themes that were affected by irregularities reported as fraudulent. The larger the square, the higher the number of irregularities; the darker the colour, the higher the financial amounts involved.<sup>32</sup>

The residual theme ‘*Other assistance to improve tourist services*’ was by far the most impacted. It represented about 74% of the irregularities reported as fraudulent, and about 71% of the related financial amounts. About half of these irregularities were detected in Romania, while Slovakia was the Member State with the highest financial amounts involved. Four countries (Slovakia, Romania, Czech Republic and Portugal) accounted for 94% of the financial amounts. Two other themes shared the remaining irregularities: ‘*Protection and development of natural heritage*’ and ‘*Promotion of natural assets*’ (most of cases and irregular financial amounts detected in Romania).

Figure CP2 shows the same level of detail for the irregularities not reported as fraudulent.

The picture is similar to the one referring to the fraudulent irregularities: the residual theme was involved in 71% of the non-fraudulent irregularities, accounting for 80% of the financial amounts. About half of these irregularities (and related financial amounts) was detected in Poland and the Czech Republic. The two other themes recorded a similar number of irregularities.

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<sup>32</sup> Where necessary, the description of the themes in Figures CP1-CP4 could have been shortened, but the extended version can be checked in Annex 14.

Figure CP1: PP 2007-2013 - Irregularities reported as fraudulent in relation to the priority 'Tourism'

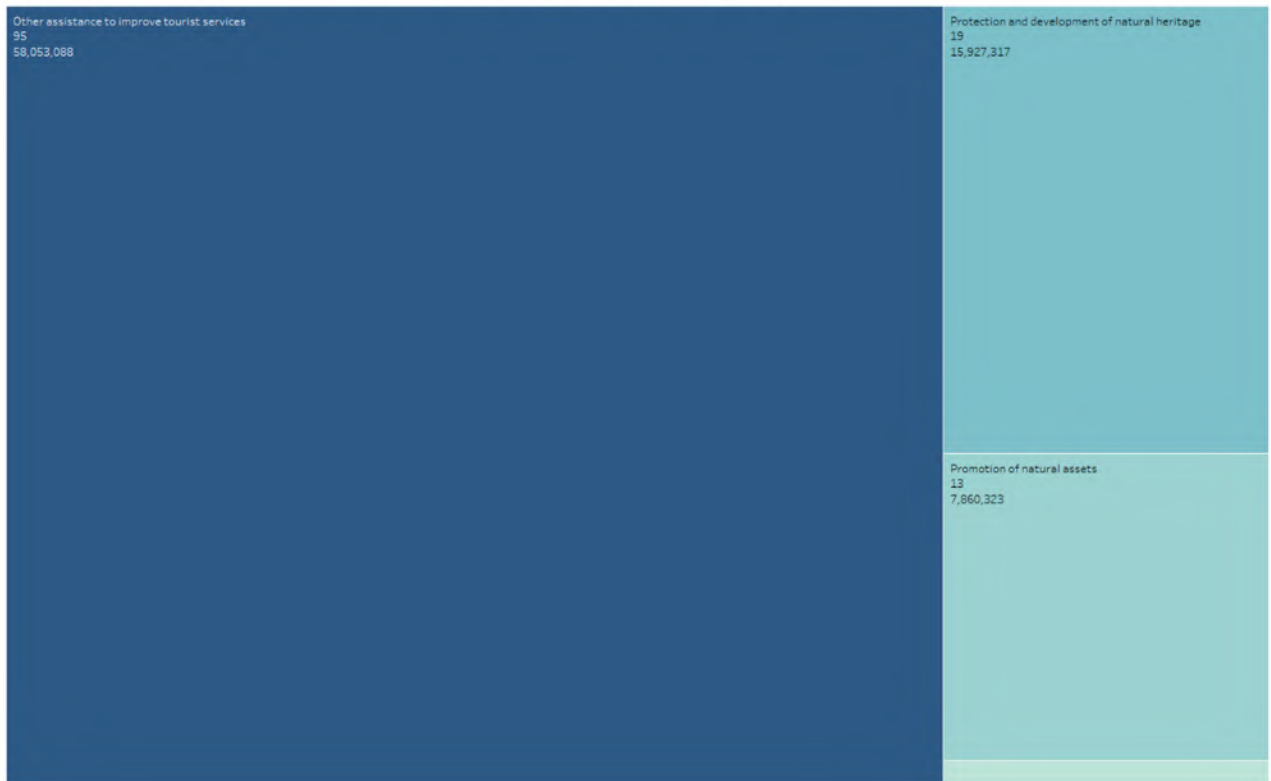
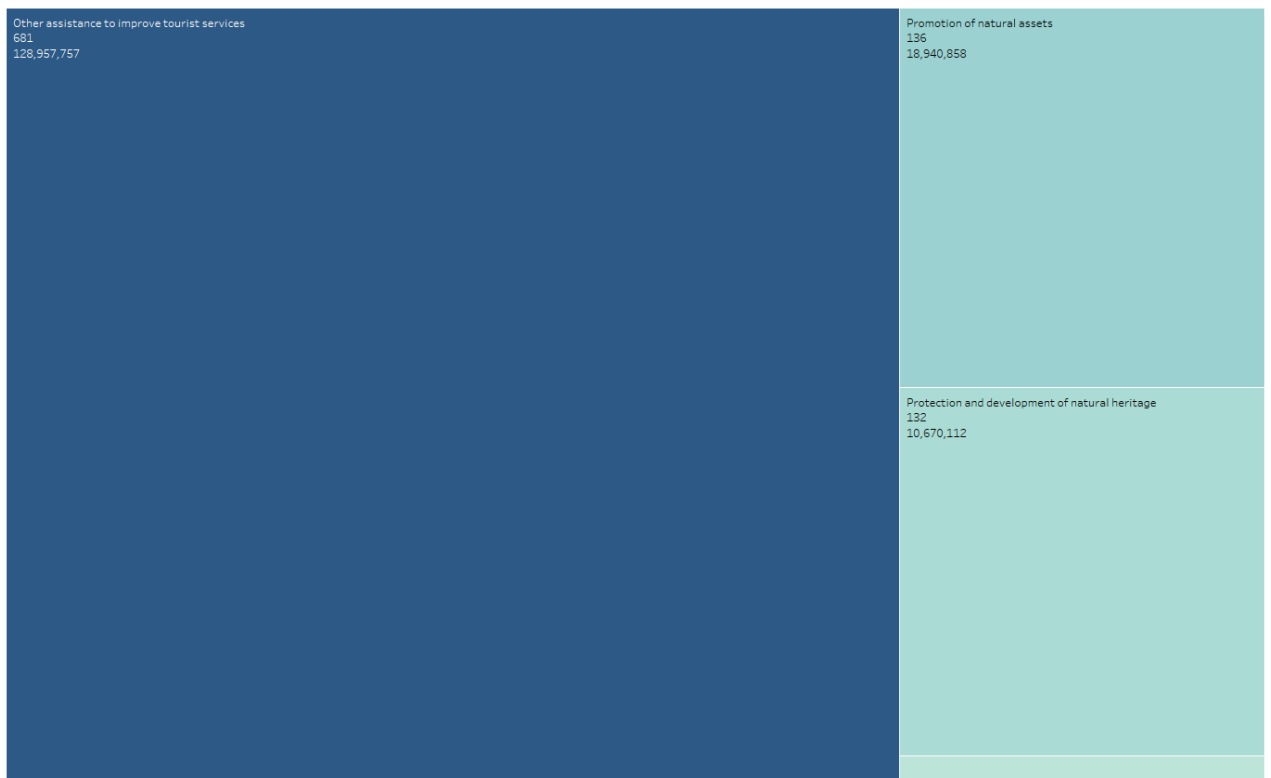


Figure CP2: PP 2007-2013 - Irregularities not reported as fraudulent in relation to the priority 'Tourism'



### *Environmental protection and risk prevention*

As mentioned, '*Environmental protection and risk prevention*' was hit by the second highest number of non-fraudulent irregularities (after '*R&TD*') and the third highest level of irregular (non-fraudulent) financial amounts (after '*R&TD*' and '*Transport*'). At the same time, this priority was not immune from fraud: it recorded the fifth highest level of irregular financial amounts (after '*R&TD*', '*Transport*', '*Urban and rural regeneration*' and '*Tourism*').

Similar to Figure CP1, Figure CP3 details the specific priority themes that were affected by these irregularities reported as fraudulent.

The highest number of fraudulent irregularities related to '*Management of household and industrial waste*'. About half of the fraudulent irregularities and 60% of the related financial amounts concerning this theme were detected in Slovakia. The highest level of irregular financial amounts pertained to '*Water treatment (waste water)*', which reached an average financial amount of about EUR 3.2 million. Half of the fraudulent irregularities and about 80% of the related financial amounts concerning this theme were detected in Slovakia. Also '*Risk prevention*' was quite impacted by fraud, with most cases in the Czech Republic and most of the irregular financial amounts detected in Poland.

As mentioned in Section 4.2.2.1, in relation to PP 2014-2020 and differently from what had happened during the same period after the start of PP 2007-2013, the priority '*Environmental protection and risk prevention*' has already been impacted by a significant number of fraudulent irregularities. Most of them are still related to '*Management of household and industrial waste*' and reported by Slovakia.

Figure CP4 shows the same level of detail for the irregularities not reported as fraudulent.

The highest number of non-fraudulent irregularities related to '*Water treatment (waste water)*'. About half of the non-fraudulent irregularities and related financial amounts concerning this theme were detected in Poland. Adding '*Management of household and industrial waste*', these two themes covered about half of the non-fraudulent irregularities related to this priority. The theme '*Management and distribution of water (drinking water)*' ranked third, both in terms of number of irregularities and financial amounts involved (mainly because of detections in Romania). Then '*Risk prevention*' was also significantly impacted by non-fraudulent irregularities, with Italy, Poland and the Czech Republic accounting for about half of cases and irregular financial amounts.

As mentioned in Section 4.2.2.2, in relation to PP 2014-2020, the financial amounts involved in non-fraudulent irregularities concerning the priority '*Environmental protection and risk prevention*' significantly increased in comparison with PP 2007-2013 during the same period after the start of the programming period. Most of these irregular financial amounts are still related to '*Water treatment (waste water)*', but they have been reported by Slovakia.

Figure CP3: PP 2007-2013 - Irregularities reported as fraudulent in relation to the priority 'Environment protection and Risk prevention'





Figure CP4: PP 2007-2013 - Irregularities not reported as fraudulent in relation to the priority 'Environment protection and Risk prevention'



#### 4.2.2.4. Types of irregularities / modus operandi detected related to the priorities 'Tourism' and 'Environment protection and Risk prevention'

Table CP23 provides an overview of the categories of irregularities reported in connection with the priority 'Tourism' within PP 2007-2013.<sup>33</sup>

Categories of irregularities	Irregularities reported as fraudulent			Irregularities not reported as fraudulent		
	N	EUR	EUR/avg	N	EUR	EUR/avg
Incorrect, missing, false or falsified supporting documents	82	47,228,920	575,962	107	17,310,660	161,782
Eligibility / Legitimacy of expenditure/measure	50	20,543,294	410,866	246	29,143,394	118,469
Infringement of public procurement rules	22	18,277,147	830,779	409	51,464,152	125,829
Infringement of contract provisions/rules	15	7,007,475	467,165	177	52,157,978	294,678
Ethics and integrity	9	918,551	102,061	4	1,119,618	279,905
Violations/breaches by the operator	3	324,953	108,318	13	2,419,922	186,148
Bankruptcy	2	1,095,631	547,816	3	1,388,451	462,817
Product, species and/or land	1	3,172,957	3,172,957	12	3,501,688	291,807
Infringements concerning the request	1	1,716,182	1,716,182	17	6,877,978	404,587
Incorrect, absent, falsified accounts	1	425,742	425,742	27	7,034,344	260,531
Multiple financing	0	0	N/A	12	649,777	54,148
movement	0	0	N/A	1	893,409	893,409
Other	14	18,512,440	1,322,317	114	27,939,109	245,080
blank	2	57,058	28,529	39	6,712,715	172,121

The same irregularity may be associated to several categories of infringement. That is why the row of totals has been omitted: it would have resulted in multiple counting of the same notification of irregularity.

In general, 12% of cases affecting the priority 'Tourism' were reported as fraudulent (see table CP19).

Focusing on the irregularities reported as fraudulent, the most mentioned categories were referring to '*incorrect/missing/false or falsified documents*' and the '*eligibility or legitimacy of the expenditure/measure*', often combined in the same case. Infringements of public procurement rules were less frequent, but they were associated to higher average irregular financial amounts (more than EUR 800 000). The violations concerning '*ethics and integrity*' concerned conflict of interest or bribery/corruption.

Focusing of the irregularities not reported as fraudulent, infringements of public procurement rules were the most mentioned, followed by violations concerning the '*eligibility or legitimacy of the expenditure/measure*'. They were often combined in the same case. The categories '*incorrect/missing/false or falsified documents*'<sup>34</sup> and '*contract provisions/rules*' were also used quite often and the latter was the one with the highest irregular financial amounts involved (among the aforementioned most reported categories).

The categories '*ethics and integrity*' and '*incorrect/missing/false or falsified documents*' featured the highest FFLs (respectively 69% and 43%), followed, at a distance, by '*eligibility or legitimacy of the expenditure/measure*' (17%). '*Infringement of public procurement rules*' and '*Violations of contract provisions/rules*' had relatively low FFLs (respectively 5% and 8%). The average financial amounts associated to these categories were much higher in case the related irregularities were reported as fraudulent.

<sup>33</sup> For details about the content of the categories listed in Tables CP23 and CP24, please see Annex 12.

<sup>34</sup> For 10 irregularities reported as non-fraudulent, the use of false/falsified documents was mentioned, which seems to suggest intentionality.

Similarly to Table CP23, Table CP24 provides an overview of the categories of irregularities reported in connection with the priority ‘*Environment protection and Risk prevention*’ within PP 2007-2013.

In general, it can be noticed that 2.7% of cases affecting this priority were reported as fraudulent (see table CP19).

Table CP24: Programming period 2007-13 - Categories of irregularity/Modus operandi detected in relation to priority "Environment protection and Risk prevention"

Categories of irregularities	Irregularities reported as fraudulent			Irregularities not reported as fraudulent		
	N	EUR	EUR/avg	N	EUR	EUR/avg
Infringement of public procurement rules	27	20,254,309	750,160	1,322	292,891,939	221,552
Eligibility / Legitimacy of expenditure/measure	25	16,860,832	674,433	386	74,842,543	193,893
Incorrect, missing, false or falsified supporting documents	17	28,956,492	1,703,323	87	17,087,105	196,404
Infringement of contract provisions/rules	11	11,204,608	1,018,601	476	150,090,198	315,316
Ethics and integrity	6	10,526,953	1,754,492			
Incorrect, absent, falsified accounts				52	10,510,138	202,118
Infringements concerning the request				28	4,930,125	176,076
Violations/breaches by the operator				23	5,167,530	224,675
Multiple financing				17	4,720,223	277,660
Product, species and/or land				12	2,939,170	244,931
Bankruptcy				9	3,822,531	424,726
Other	4	10,779,565	2,694,891	271	99,129,793	365,793
blank	2	326,688	163,344	108	23,714,922	219,583

Focusing on the irregularities reported as fraudulent, the most mentioned categories were referring to '*Infringement of public procurement rules*' and '*eligibility or legitimacy of the expenditure/measure*', often combined in the same case. '*Incorrect/missing/false or falsified documents*' were mentioned less often, but with the highest financial amounts involved. Half of the violations concerning '*ethics and integrity*' concerned corruption. One case was about conflict of interest.

Focusing of the irregularities not reported as fraudulent, '*Infringements of public procurement rules*' were by far the most mentioned, followed by violations concerning '*contract provisions/rules*' and '*eligibility or legitimacy of the expenditure/measure*'.

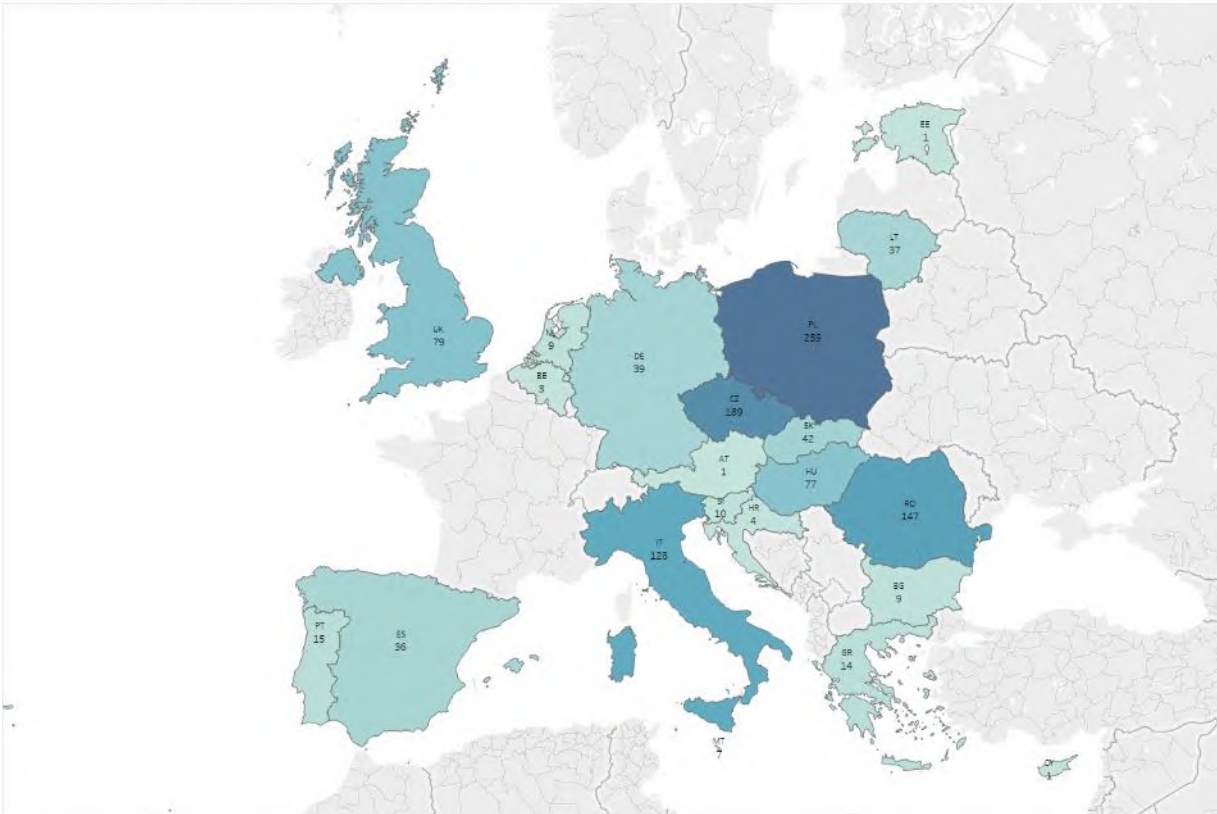
The FFL for '*Infringement of public procurement rules*' and '*of contract provisions/rules*' were low (about 2%). '*Incorrect/missing/false or falsified documents*'<sup>35</sup> had the highest FFL among the most reported categories (about 16%).

#### 4.2.2.5. Geographical distribution of irregularities (fraudulent and non-fraudulent) detected in relation to the 'Tourism' and 'Environment protection and Risk prevention'

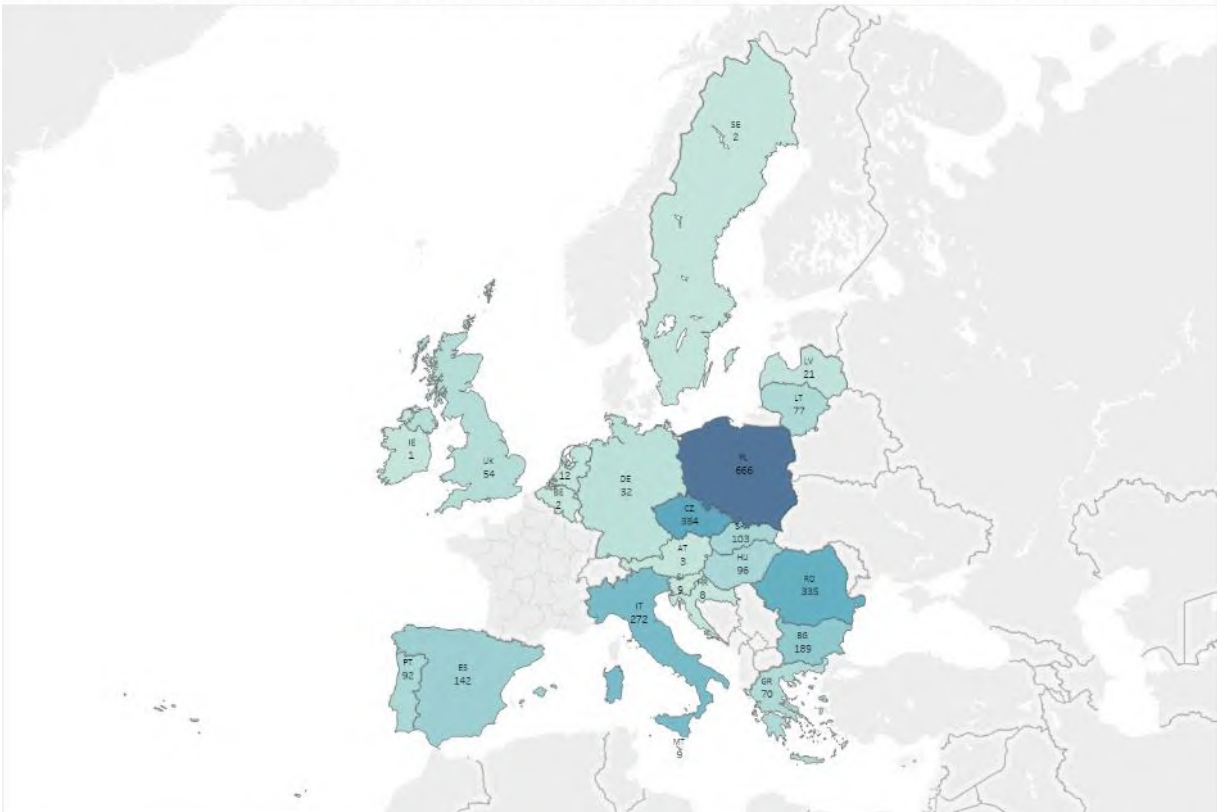
Maps CP1 and CP2 show the geographical distribution of the irregularities (fraudulent and non-fraudulent) reported in relation to the priorities *Tourism* and '*Environment protection and Risk prevention*'. It is worth reminding that this is based on the irregularities for which the Member States have specified the priority affected by the irregularity. For example, France has never specified the affected priority, so even if a number of irregularities might possibly concern *Tourism* or '*Environment protection and Risk prevention*', this cannot be reflected in this analysis and in Maps CP1 and CP2.

<sup>35</sup> For 3 irregularities reported as non-fraudulent, the use of false/falsified documents was mentioned, which seems to suggest intentionality.

Map CP1: Number of irregularities (fraudulent and non-fraudulent) reported by the Member States in relation to the theme 'Tourism' - Programming period 2007-13 - Cohesion policy



Map CP2: Number of irregularities (fraudulent and non-fraudulent) reported by the Member States in relation to the theme 'Environment protection and Risk prevention' - Programming period 2007-13 - Cohesion policy



Some Member States were relatively more affected by (or were more efficient in detecting) irregularities related to 'Tourism', such as Hungary and the United Kingdom, while in other

Member States irregularities related to '*Environment protection and Risk prevention*' weighed more, such as in Bulgaria and Poland.<sup>36</sup>

### 4.3 Reasons for performing control

In the context of the antifraud cycle, the detection capability is a key feature, which contributes to the effectiveness and efficiency of the system for the protection of the EU budget.

In last year's Report, an analysis of the reasons for performing controls was introduced and led to the recommendation to further exploit the potential of risk analysis, tailoring the approach to the different types of expenditure and taking advantage of best practices and the risk elements highlighted in that Report. Furthermore, it was recommended to facilitate and assess the spontaneous reporting of potential irregularities from the civil society and strengthen the protection of whistle-blowers that are also a crucial source for investigative journalism.

Tables CP25 and CP26 seem to confirm that so far there has been little improvement on the ground. However, as last year's Report was adopted at the beginning of September 2018, it is probably too early to draw any conclusion. Effective evolution from reactive to proactive detections based on risk analysis may take time.

With a focus on controls that led to discover irregularities reported as fraudulent, Table CP25 provides information on the number of controls that were performed because of reasons that can be linked to the above mentioned recommendations. It compares the situation until 2017 with the situation in 2018. On the one hand, Table CP25 does not show any significant change concerning the use of risk analysis.<sup>37</sup> On the other hand, it shows a noticeable increase in the share of fraudulent irregularities detected through tips (from 7% to 17%<sup>38</sup>), but this was not broad-based in terms of the Member States contributing to this improvement. Table CP25 shows also that, to a lesser extent, there was an increase in the share of fraudulent irregularities detected through the use of information published by the media (from 2% to 3.5%).

Table CP 25

Reason for performing control	Irregularities reported as fraudulent - Cohesion policy - Programming periods 2007-2013 and 2014-2020					
	2008-2017			2018		
	N.	%	EUR	N.	%	EUR
Risk analysis	18	0.99	43,320,153	3	0.86	231,096
Comparison of data	44	2.41	5,560,361	4	1.15	4,491,189
Probability checks	6	0.33	1,090,597	1	0.29	39,016
Statistical analysis	0	0.00	0	0	0.00	0
Tip from informant, whistle-blower etc.	140	7.66	148,342,133	61	17.58	59,338,603
Information published in the media	37	2.03	252,699,165	12	3.46	625,464,056
<i>Total</i>	<i>1,827</i>		<i>1,369,087,288</i>	<i>347</i>		<i>955,729,124</i>

Table CP26 provides the same overview of Table CP25, with a focus on controls that led to discover irregularities not reported as fraudulent.

<sup>36</sup> This is assessed through the difference between the percentage of the irregularities reported by a Member State (over the total number of irregularities reported by all Member States) in '*Tourism*' and in '*Environment protection*'. Where this difference (between the '*Tourism*' percentage and the '*Environment protection*' percentage) in a Member State approached or exceeded 3 pp, the same Member State has been mentioned in the main body of the text as relatively more affected by (or more efficient in detecting) '*Tourism*' or '*Environment protection*' irregularities.

<sup>37</sup> In the Table also other reasons that might hint to the use of some forms of risk analysis have been introduced (comparison of data, probability checks and statistical analysis).

<sup>38</sup> About 70% of the cases detected in 2018 were reported by Hungary and the Czech Republic. While the Czech Republic was amongst the Member States that detected more often irregularities on the basis of tips also before 2018, this was not the case for Hungary.

Table CP 26

Reason for performing control	Irregularities not reported as fraudulent - Cohesion policy - Programming periods 2007-2013 and 2014-2020					
	2008-2017			2018		
	N.	%	EUR	N.	%	EUR
Risk analysis	327	0.87	63,258,620	75	4.18	10,438,401
Comparison of data	244	0.65	106,386,806	9	0.50	1,145,634
Probability checks	124	0.33	29,915,419	12	0.67	8,242,671
Statistical analysis	98	0.26	13,197,260	0	0.00	0
Tip from informant, whistle-blower etc.	385	1.03	54,923,009	30	1.67	6,961,687
Information published in the media	110	0.29	84,957,442	26	1.45	4,633,173
<i>Total</i>	<i>37,421</i>		<i>8,237,712,629</i>	<i>1,795</i>		<i>595,867,189</i>

On the one hand, Table CP26 does not show any significant change concerning the share of non-fraudulent irregularities detected through tips (as it was instead the case for the fraudulent irregularities). On the other hand, it shows some increase in the share of non-fraudulent irregularities detected through the use of risk analysis (from 0.9% to 4.2%) and, to a lesser extent, making use of information published by the media (from 0.3% to 1.4%). Nearly all non-fraudulent irregularities detected through risk analysis in 2018 were reported by Poland and the Czech Republic, which were amongst the Member States that detected more often irregularities on the basis of risk analysis also before 2018.

#### 4.4. Antifraud and control activities by Member States

Previous Sections have examined the trend and main characteristics of the reported irregularities. The present Section aims at examining some aspects linked to the antifraud and control activities and results of Member States. Four elements are taken into account:

- the duration of the irregularities;
- the number of irregularities reported as fraudulent by each Member State;
- the fraud detection rate (FDR - the ratio between the amounts involved in cases reported as fraudulent and the payments occurred in relation to the PP 2007-13) and the irregularity detection rate (IDR - the ratio between the amounts involved in cases not reported as fraudulent and the payments occurred in relation to the PP 2007-13)<sup>39</sup>;
- the ratio of cases of established fraud on the total number of irregularities reported as fraudulent.

##### 4.4.1. Duration of irregularities

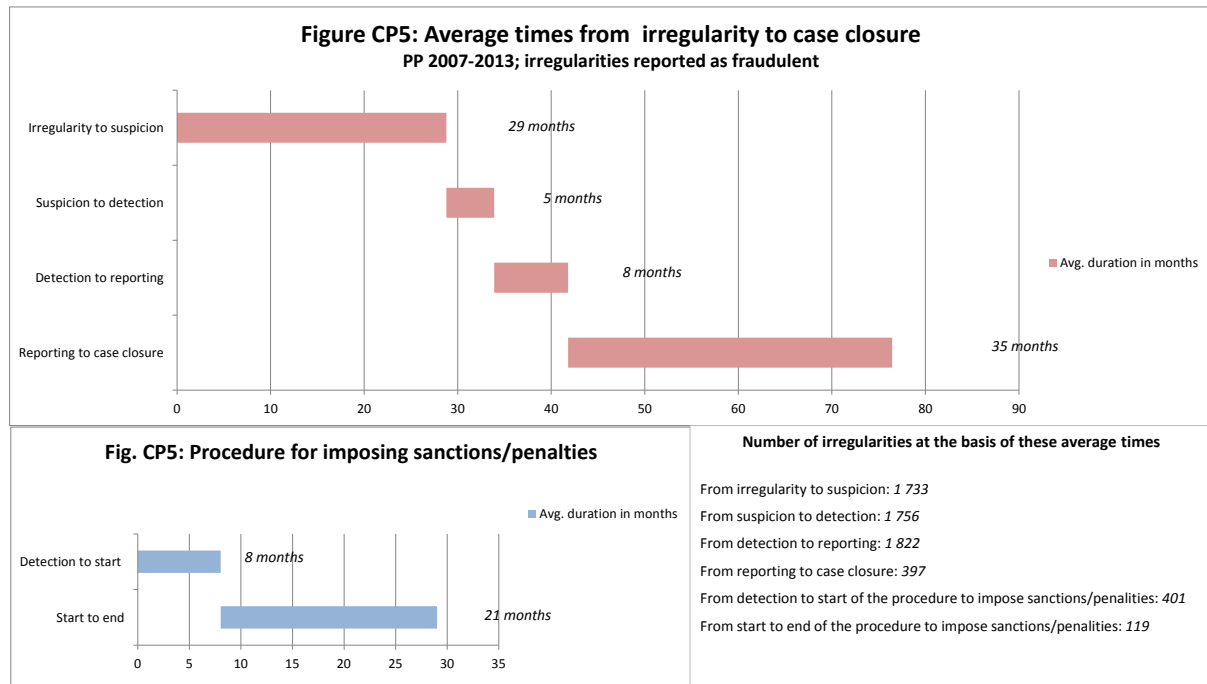
With reference to the Cohesion and Fisheries policies, of the 40 776 irregularities (fraudulent and non-fraudulent) reported by Member States in relation to the PP 2007-13, 20 298 (50% of the total) involved infringements that have been protracted during a span of time. For the 2 010 irregularities reported as fraudulent, this percentage was higher, at about 60%. The remaining part of the dataset refers to irregularities which consisted of a single act identifiable on a precise date (about 23% of the whole dataset and 30% of that including exclusively the fraudulent

<sup>39</sup> The Member States have the obligation to report only irregularities for which payment and certification to the European Commission occurred. As a consequence, the IDR focuses on the 'repressive' side of the anti-fraud cycle and does not include the results of 'prevention' activities. This does not apply to the FDR, as fraudulent cases must be reported regardless.

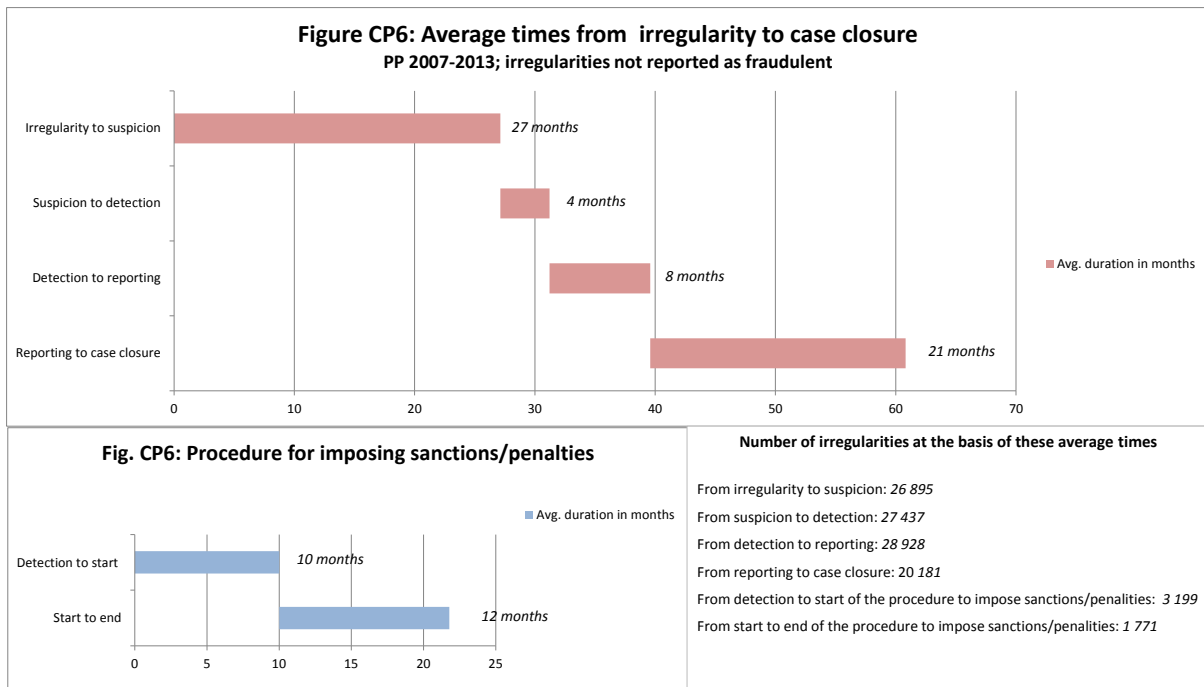
irregularities) or for which no reliable information has been provided by the Member States<sup>40</sup> (27% of the whole dataset and 11% of the irregularities reported as fraudulent).

The average duration of the irregularities which have been protracted over time was 21 months (*i.e.* 1 year and 9 month). For the irregularities reported as fraudulent, this average was similar: 20 months.

Figures CP5 and CP6 show the average duration of the different phases a case can go through, from perpetration to case closure. Figure CP5 focuses on irregularities reported as fraudulent, while Figure CP6 covers the ones not reported as fraudulent. Both Figures refer to the PP 2007-2013 (Cohesion and Fisheries policies).



<sup>40</sup> This includes cases where start date and end date were not filled in, cases where only the end date was filled in, cases where the end date was before the start date, cases where a date was before 2005 (because the analysis is focusing on PP 2007-2013, so a date before 2005 might be a mistake).



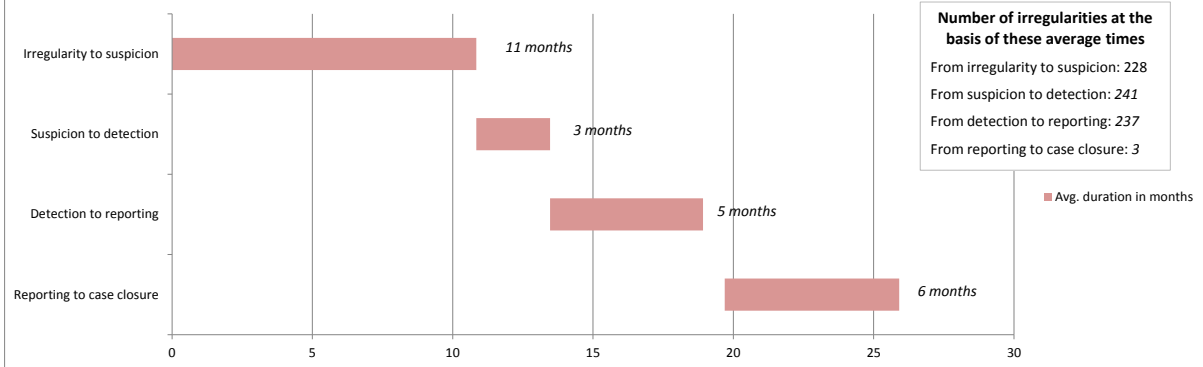
Both for fraudulent and non-fraudulent irregularities, on average, it took more than two years to come to the suspicion that an irregularities had been or was being perpetrated. Once the suspicion arose, the Member State detected the irregularity in less than half a year. Then the irregularity was reported to the Commission only after eight months from the detection. The only significant difference between fraudulent and non-fraudulent irregularities was in the average time from the reporting to the Commission to the case closure, which was much longer for the irregularities reported as fraudulent. This is consistent with the longer duration of penal proceedings. This is reflected also in the procedures for imposing sanctions or penalties. They started after a similar time period after detection (8 or 10 months for fraudulent and non-fraudulent irregularities, respectively), but then it took, on average, one year to close the procedure in case of a non-fraudulent irregularity and nearly two years in case of a fraudulent irregularity. This may be due to overlaps with the penal procedure.

Figure CP7 shows the average times for the irregularities referring to PP 2014-2020 (Cohesion and Fisheries policies). These average times were shorter than the ones related to PP 2007-2013. However, it should be considered that these durations are based on much less cases and that irregularities that are more craftily hidden or that are more difficult to investigate will probably add as time passes, pushing these averages up. The average times in Figure CP7 are similar to those in Figure CP8<sup>41</sup>, which refers to the cases related to PP 2007-13 that had been reported after a comparable period of time from the start of the programming period.

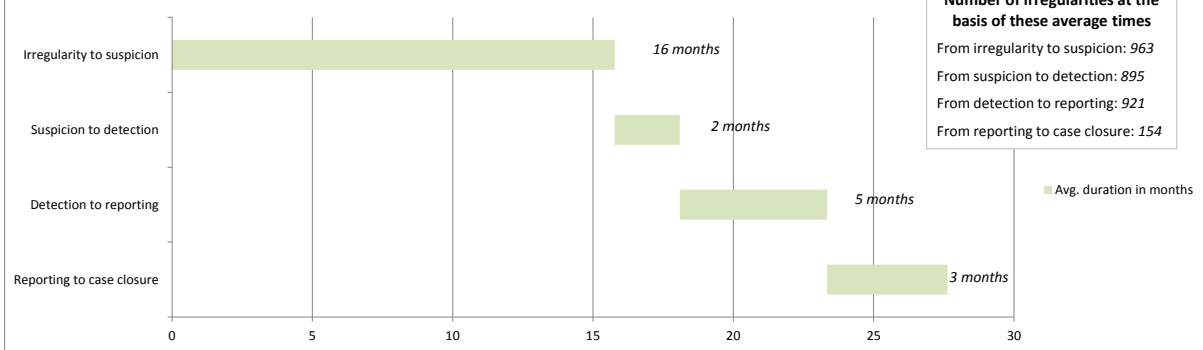
<sup>41</sup> With the obvious exception of the time between reporting and case closure.



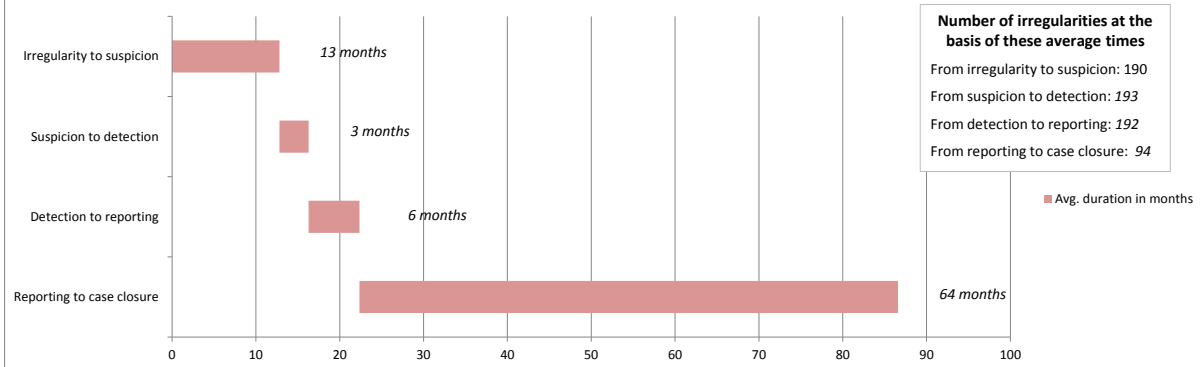
**Figure CP7: Average times from irregularity to case closure**  
PP 2014-2020; irregularities reported as fraudulent



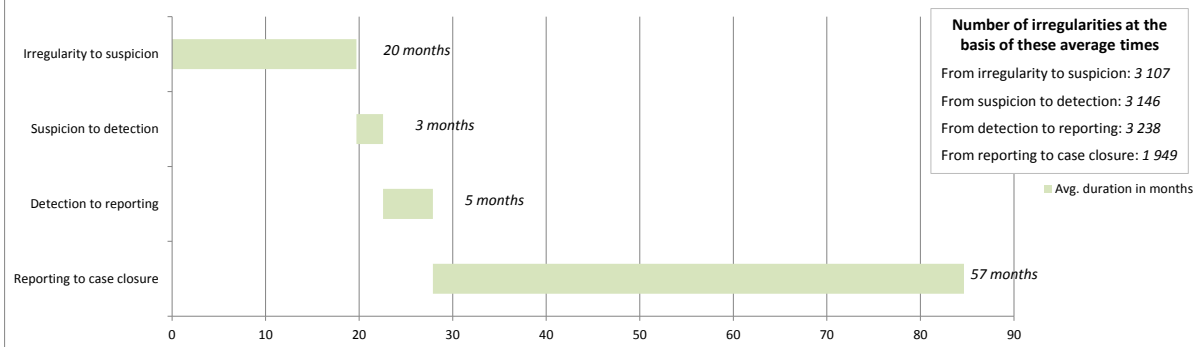
**Figure CP7: Average times from irregularity to case closure**  
PP 2014-2020; irregularities not reported as fraudulent



**Figure CP8: Average times from irregularity to case closure**  
PP 2007-2013 (time period comparable to PP 2014-2020); irregularities reported as fraudulent



**Figure CP8: Average times from irregularity to case closure**  
PP 2007-2013 (time period comparable to PP 2014-2020); irregularities not reported as fraudulent



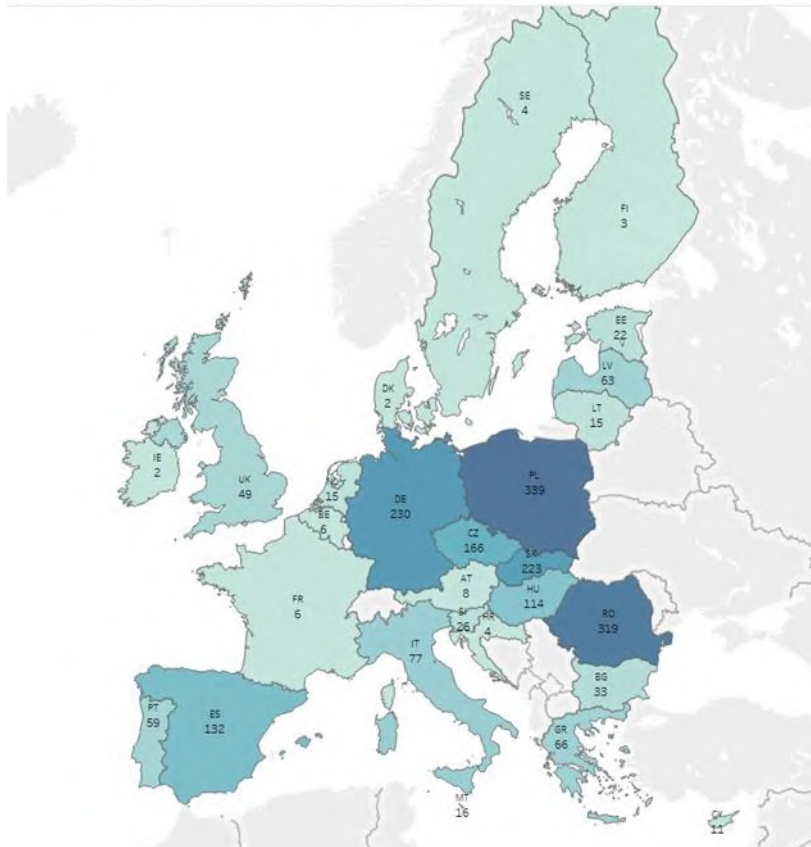
#### 4.4.2. Detection of irregularities reported as fraudulent by Member State

Map CP3 shows the number of irregularities reported as fraudulent by Member State in relation to the PP 2007-13.

Only Luxembourg has notified no irregularity as fraudulent; fourteen (14) Member States reported less than 30 potentially fraudulent irregularities; Three (3) countries reported between 30 and 60; three (3) Member States between 60 and 90; seven (7) more than 90.

Poland, Romania and Germany are the three countries which have reported the highest numbers.

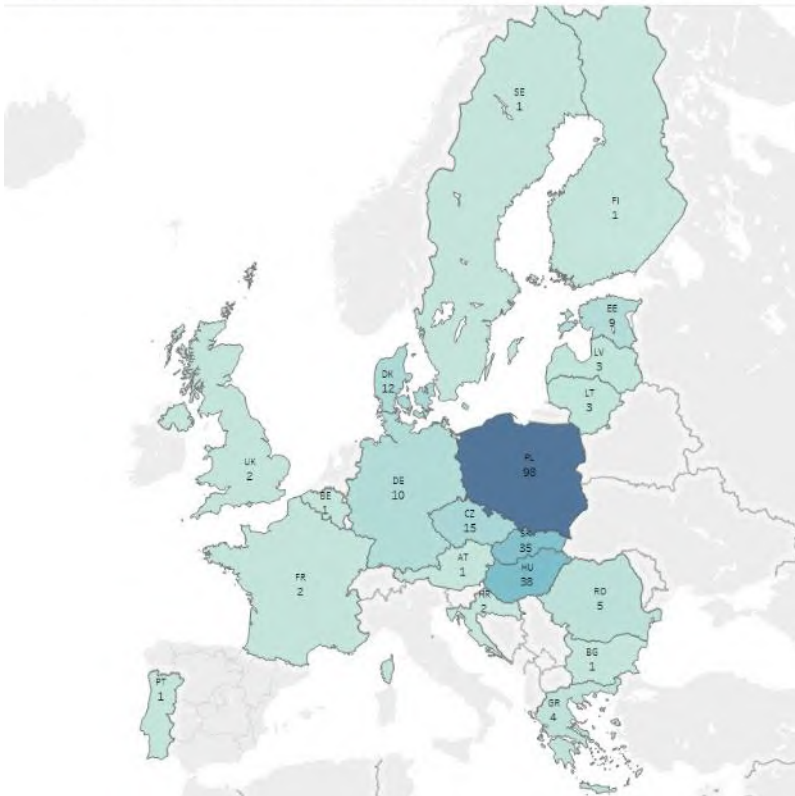
Map CP3: Number of irregularities reported as fraudulent by Member State in relation to the Programming period 2007-13 - Cohesion and fisheries policies



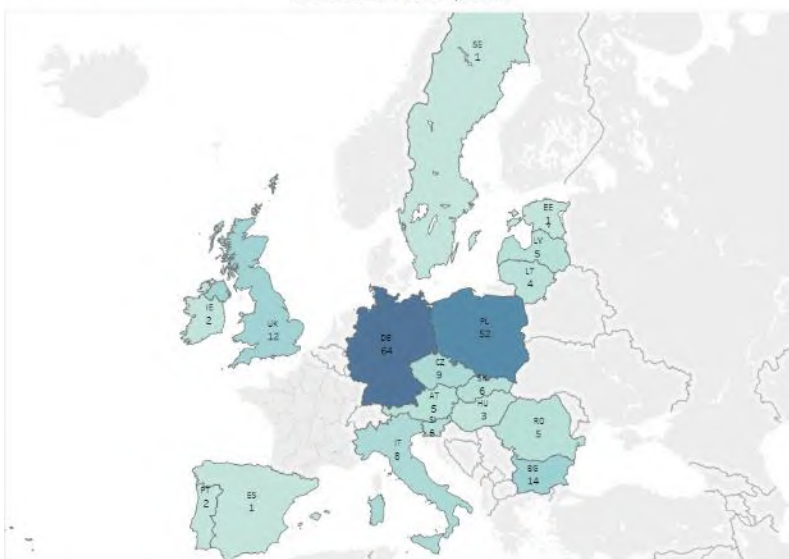
Map CP4 shows the geographic distribution of detections related to the current PP 2014-2020. Twenty (20) Member States have already reported at least one irregularity as fraudulent.

Map CP5 refers to the irregularities that had been reported after a comparable period of time from the start of the programming period 2007-13. It is too early to draw any conclusion. However, it is noticeable the decrease in the number of irregularities reported as fraudulent by Germany and the increase of those reported by Poland, Hungary and Slovakia.

Map CP4: Number of irregularities reported as fraudulent by Member State in relation to the Programming period 2014-20 - Cohesion and fisheries policies



Map CP5: Number of irregularities reported as fraudulent by Member State in relation to the Programming period 2007-13 (time period comparable with PP 2014-20) Cohesion and fisheries policies

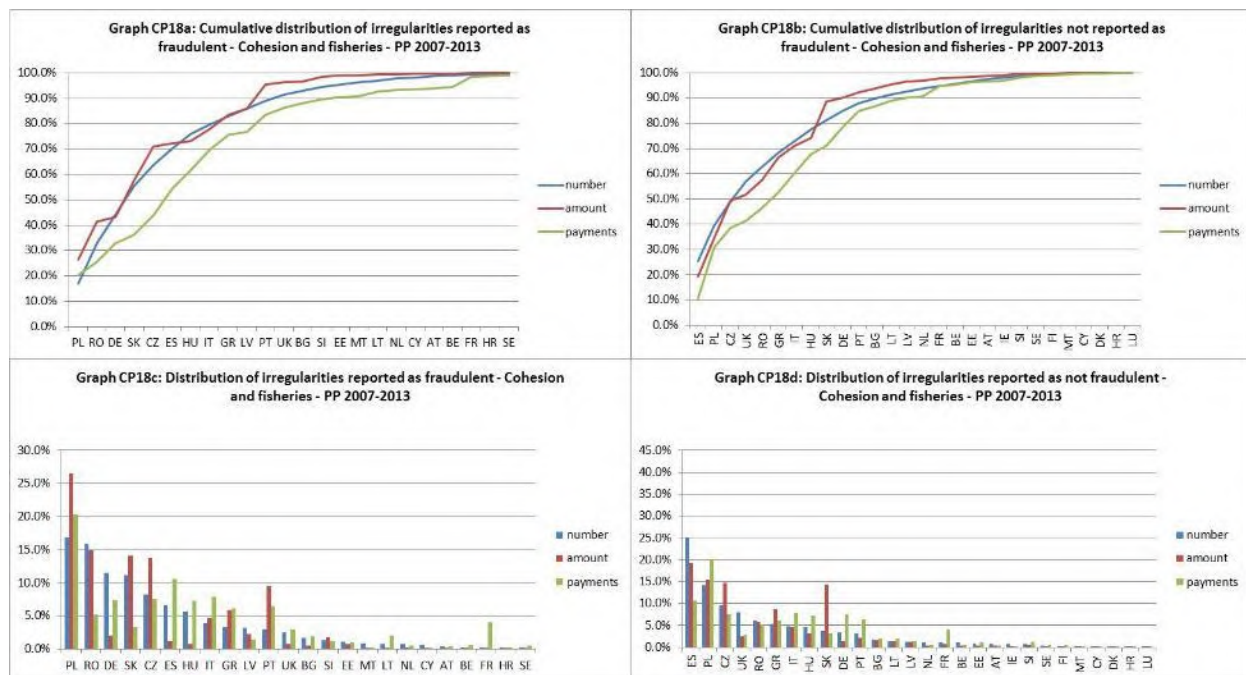


For PP 2007-2013, Map CP3 suggests that the concentration of reporting of irregularities in certain Member States could go beyond what could be expected on the basis of the distribution of payments related to the cohesion and fisheries policies among Member States. Also the analysis of the irregularities that affected the priorities '*Tourism*' and '*Environment protection and risk prevention*' suggests that the majority of irregularities and financial amounts in these domains were reported by very few Member States (see Section 4.2.2.3.).

Graphs CP18 help assessing the level of concentration. Respectively for fraudulent and non-fraudulent irregularities, Graphs CP18a and CP18b show the cumulative percentage distribution of the number of cases and related financial amounts involved in relation to cohesion and

fisheries policies. The Member States are sorted on the basis of the number of irregularities reported.

Graph CP18a shows that the first three Member States (Poland, Romania and Germany) reported slightly more than 40% of all fraudulent irregularities related to cohesion and fisheries, while they received a little more than 30% of the payments. The same percentages related to non-fraudulent irregularities were a little higher (about 50% and 40%, respectively). While Poland was still among the Member State with the highest number of cases reported, Spain and Czech Republic ranked first and third.

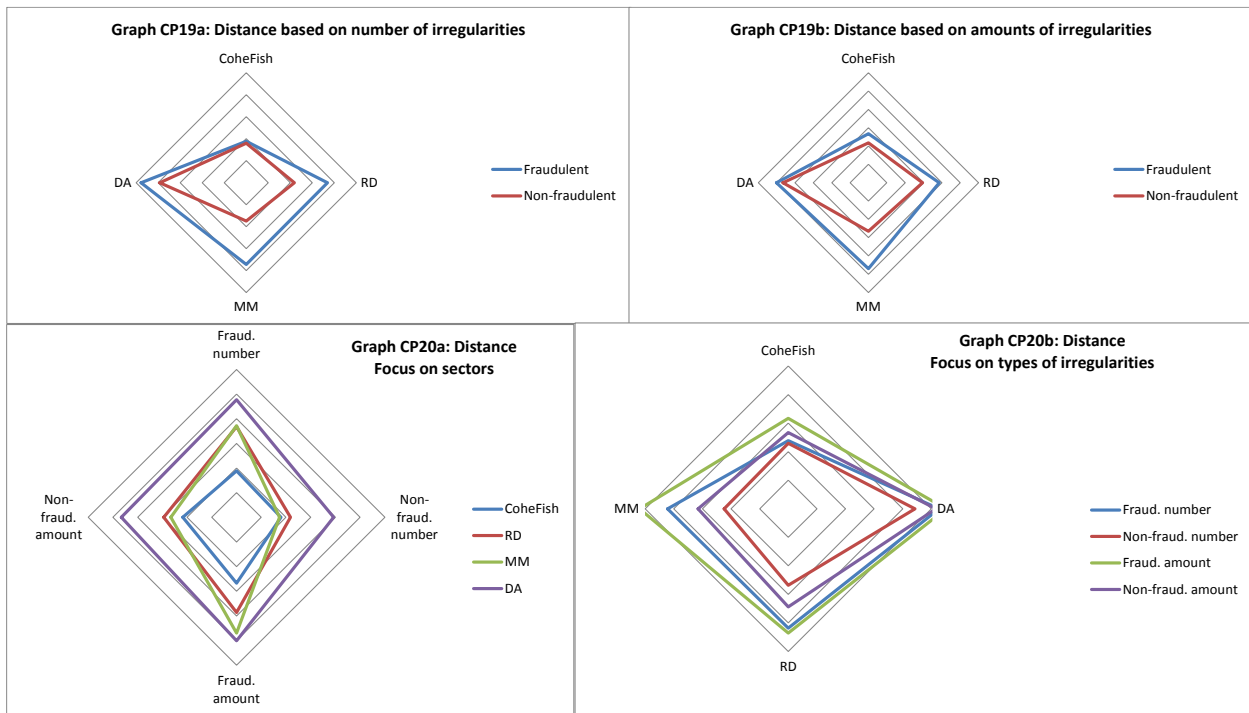


In general, the cumulative distributions of number of cases and financial amounts rose fast - which points to concentration of detections in a limited number of Member States - and did not overlap with the cumulative distribution of payments related to cohesion and fisheries – which points to the fact that the aforementioned concentration is not fully explained by the share of payments received. However, the rise of the cumulative distributions of number of cases and financial amounts is smoother than for agriculture (see Sections 3.4.3.1-3.4.3.3) and the distance from cumulative distribution of payments looks smaller (see also below), in particular for non-fraudulent irregularities. To better assess the contribution of each Member State to these patterns, Graph CP18c and CP18d present the individual shares of number of cases, financial amounts involved and payments, respectively for fraudulent and non-fraudulent irregularities.

It seems that the concentration of detections is not fully explained by the distribution of payments during the programming period 2007-2013, but this was less evident than in agriculture (during the period 2014-2018). Graphs CP19 and CP20 are based on an overall measure of the distance between the distribution of detections in different Member States and the distribution of payments received by the Member States in the same period.<sup>42</sup> They confirm that the distance for cohesion and fisheries is smaller, especially with reference to fraudulent irregularities. This may suggest that approaches of Member States to the use of criminal law to

<sup>42</sup> See explanation about this measure in Section 3.4.3.4.

protect the EU budget might be more homogeneous in the cohesion and fisheries policies than in the agriculture domains.<sup>43</sup>



#### 4.4.3. Fraud detection rate

The fraud detection rate compares the results obtained by Member States in their fight against fraud with the related payments. Considering the multi-annual nature of the cohesion policy spending programmes, no annual analysis is proposed, focusing instead on the whole PP 2007-13, for which the documents for closure have been presented during 2017 (see Table CP 27).

The FDR is the highest for Slovakia and Romania, above 1%. Other Member States (Czech Republic, Latvia, Poland, Portugal and Slovenia) show a FDR between 0.5% and 1%.

Programmes under the Territorial Cooperation Programme (designated in the table under the country code 'CB', last row before the total) can involve several countries and, therefore, paid amounts are spread among the beneficiaries in various Member States. However, in general, irregularities for these programmes are reported by the Member State in which the expenditure is paid out by the beneficiary in implementing the operation. For this reason, the sums paid have been included in the total, while the irregularities reported as fraudulent and the related amounts have already been computed in relation to the country having reported them. The 'CB' numbers have been included in the table to calculate the FDR related to these programmes, but they are not summed in the total row to avoid a double counting.

Table CP28 shows data about fraud detection in the MS with reference to the ongoing PP 2014-2020. These data are expected to change as implementation progresses. If the trend of the previous PP is confirmed, most of the fraudulent irregularities are still to be detected. This will be counterbalanced by the growing amounts of payments to the Member States.<sup>44</sup> It is too early

<sup>43</sup> However, it should also be considered that differences in terms of detections of irregularities reported as fraudulent are influenced also by difference practices in different Member States concerning the stage of the procedure when potentially fraudulent irregularities are reported.

<sup>44</sup> The FDR in Table CP28 and the IDR in Table CP30 are based on net payments. In this context, net payments means: Cumulative initial pre-financing + Cumulative additional initial pre-financing (less recovery of additional initial pre-financing) + Cumulative annual pre-financing (less recovery of annual pre-financing) + Net interim

to draw any conclusion and the FDR in Table CP28 can not be directly compared with those in Table CP27, but Section 4.1.3 already contains a preliminary comparison between PP 2007-2013 and PP 2014-2020.<sup>45</sup>

Table CP 27: Number of irregularities reported as fraudulent, amounts involved and fraud detection rate by Member State - Programming period 2007-13

Member State	Irregularities reported as fraudulent PP 2007-13		Payments PP 2007-2013 (1)	Fraud detection rate
	Reported	Involved amounts		
	N	EUR	EUR	%
AT	8	1,542,060	1,133,073,296	0.14
BE	6	437,725	2,043,040,307	0.02
BG	33	6,909,882	6,478,262,826	0.11
CY	11	1,156,899	632,159,410	0.18
CZ	166	221,238,815	25,297,525,107	0.87
DE	230	31,745,661	24,876,529,713	0.13
DK	2	234,251	636,568,650	0.04
EE	22	12,184,524	3,313,626,524	0.37
ES	132	19,216,750	35,344,283,649	0.05
FI	3	66,629	1,624,713,804	0.00
FR	6	2,886,409	13,409,450,111	0.02
GR	66	94,982,697	20,402,688,084	0.47
HR	4	2,184,460	753,547,336	0.29
HU	114	10,694,618	24,451,677,505	0.04
IE	2	15,672	792,923,528	0.00
IT	77	76,299,295	26,319,188,280	0.29
LT	15	1,859,994	6,826,777,738	0.03
LU	0	0	50,487,332	0.00
LV	63	37,044,374	4,655,067,616	0.80
MT	16	305,510	812,089,226	0.04
NL	15	4,324,984	1,689,006,806	0.26
PL	339	427,714,210	67,882,583,780	0.63
PT	59	153,970,870	21,627,850,677	0.71
RO	319	239,981,387	17,164,488,940	1.40
SE	4	66,797	1,652,455,347	0.00
SI	26	27,892,274	4,121,031,332	0.68
SK	223	227,828,035	10,922,645,890	2.09
UK	49	12,164,403	9,661,144,852	0.13
CB	41	6,876,654	7,748,282,958	0.09
<b>TOTAL</b>	<b>2,010</b>	<b>1,614,949,184</b>	<b>342,323,170,624</b>	<b>0.47</b>

(1) Net payments until April 2019 from CF, ERDF, ESF, EFF

payments. Net interim payments are cumulative interim payments less recovery of expenses, plus annual pre-financing covered by expenditure. For more information, see:

<https://cohesiondata.ec.europa.eu/2014-2020/ESIF-2014-2020-EU-payments-daily-update-/gayr-92qh>

To be noticed that initial pre-financing is frontloaded at the beginning of the programming period and this is an additional factor influencing FDR and IDR during the first part of the programming period.

<sup>45</sup> It is worth repeating that the higher FDR related to PP 2014-2020 is significantly influenced by 2 cases reported by Slovakia, where nearly EUR 600 million are involved. This is reflected also in the anomalous FDR associated to Slovakia (21%)

Table CP 28: Number of irregularities reported as fraudulent, amounts involved and fraud detection rate by Member State - Programming period 2014-20

Member State	Irregularities reported as fraudulent PP 2014-20		Payments PP 2014-2020 (1)	Fraud detection rate
	Reported	Involved amounts		
	N	EUR	EUR	%
AT	1	200	202,835,237	0.00
BE	1	1,553	439,291,562	0.00
BG	1	370,891	1,755,910,702	0.02
CY	0	0	266,435,157	0.00
CZ	15	2,646,264	4,970,430,480	0.05
DE	10	473,429	4,526,906,605	0.01
DK	12	870,189	137,687,112	0.63
EE	9	1,612,780	1,142,284,451	0.14
ES	0	0	5,631,276,118	0.00
FI	1	425,525	520,161,435	0.08
FR	2	9,043,511	3,345,623,300	0.27
GR	4	12,613,172	5,102,004,586	0.25
HR	2	1,093,157	1,027,492,028	0.11
HU	38	9,877,015	6,875,619,535	0.14
IE	0	0	214,053,983	0.00
IT	0	0	5,413,642,493	0.00
LT	3	343,691	1,949,706,637	0.02
LU	0	0	16,325,936	0.00
LV	3	58,963	932,912,265	0.01
MT	0	0	148,279,671	0.00
NL	0	0	299,359,158	0.00
PL	98	44,650,568	21,251,977,464	0.21
PT	1	2,168,010	6,657,375,487	0.03
RO	5	153,425	4,310,931,222	0.00
SE	1	303,550	511,348,991	0.06
SI	0	0	603,459,535	0.00
SK	35	644,730,949	3,038,951,565	21.22
UK	2	366,322	2,084,485,734	0.02
<b>TOTAL</b>	<b>244</b>	<b>731,803,163</b>	<b>84,920,542,844</b>	<b>0.86</b>

(1) Net payments until 2018 from CF, ERDF, ESF, EMFF. Total includes payments related to cross border co-operation.

#### 4.4.4. Irregularity Detection Rate

The irregularity detection rate compares the results obtained by Member States in detecting non-fraudulent irregularities with the related payments. Considering the multi-annual nature of the Cohesion policy spending programmes, no annual analysis is proposed, focusing instead on the whole programming period 2007-13, for which the documents for closure have been presented during 2017 (see Table CP 29).

The IDR is the highest for Slovakia (more than 10%) and for Czech Republic, Spain and Greece (between 3% and 5%).

Table CP 29: Number of irregularities not reported as fraudulent, amounts involved and irregularity detection rate by Member State - Programming period 2007-13

Member State	Irregularities not reported as fraudulent PP 2007-13		Payments PP 2007-2013 EUR	Irregularity detection rate (1) %
	Reported N	Involved amounts EUR		
AT	315	25,258,098	1,133,073,296	2.23
BE	392	24,911,009	2,043,040,307	1.22
BG	711	142,586,033	6,478,262,826	2.20
CY	55	4,436,574	632,159,410	0.70
CZ	3,734	1,263,810,151	25,297,525,107	5.00
DE	1,342	128,097,694	24,876,529,713	0.51
DK	51	2,554,866	636,568,650	0.40
EE	345	34,856,854	3,313,626,524	1.05
ES	9,783	1,669,421,847	35,344,283,649	4.72
FI	80	3,763,761	1,624,713,804	0.23
FR	417	61,963,657	13,409,450,111	0.46
GR	2,067	756,340,887	20,402,688,084	3.71
HR	32	6,942,053	753,547,336	0.92
HU	1,763	281,931,231	24,451,677,505	1.15
IE	270	16,257,085	792,923,528	2.05
IT	1,830	397,273,207	26,319,188,280	1.51
LT	561	125,862,350	6,826,777,738	1.84
LU	8	210,788	50,487,332	0.42
LV	483	105,056,108	4,655,067,616	2.26
MT	80	15,802,047	812,089,226	1.95
NL	430	33,696,488	1,689,006,806	2.00
PL	5,487	1,325,628,861	67,882,583,780	1.95
PT	1,252	184,555,179	21,627,850,677	0.85
RO	2,318	506,319,519	17,164,488,940	2.95
SE	147	8,105,895	1,652,455,347	0.49
SI	259	52,182,753	4,121,031,332	1.27
SK	1,479	1,246,560,891	10,922,645,890	11.41
UK	3,075	212,523,866	9,661,144,852	2.20
CB	562	33,804,697	7,748,282,958	0.44
<b>TOTAL</b>	<b>38,766</b>	<b>8,636,909,752</b>	<b>342,323,170,624</b>	<b>2.52</b>

(1) Net payments until April 2019 from CF, ERDF, ESF, EFF

Programmes under the Territorial Cooperation Programme (designated in the table under the "country-code" 'CB', last row before the total) can involve several countries and, therefore, paid amounts are spread among the beneficiaries in various Member States. However, in general, irregularities for these programmes are reported by the Member State in which expenditure is paid out by the beneficiary in implementing the operation. For this reason, the sums paid have been included in the total, while the irregularities not reported as fraudulent and the related amounts have already been computed in relation to the country having reported them. The 'CB' numbers have been included in the table to calculate the IDR related to these programmes, but they are not summed in the total row to avoid a double counting.

Table CP30 shows data about fraud detection in the MS with reference to the ongoing PP 2014-2020. These data are expected to change as implementation progresses. If the trend of the previous PP is confirmed, most of the fraudulent irregularities are still to be detected. This will be counterbalanced by the growing amounts of payments to the Member States. It is too early to draw any conclusion and the IDR in Table CP30 can not be directly compared with those in Table CP29, but Section 4.1.3 already contains a preliminary comparison between PP 2007-2013 and PP 2014-2020.



Table CP 30: Number of irregularities not reported as fraudulent, amounts involved and irregularity detection rate by Member State - Programming period 2014-20

Member State	Irregularities not reported as fraudulent PP 2014-20		Payments PP 2014-2020	Irregularity detection rate (1)
	Reported	Involved amounts		
	N	EUR	EUR	%
AT	6	228,543	202,835,237	0.11
BE	11	444,433	439,291,562	0.10
BG	36	8,243,472	1,755,910,702	0.47
CY	3	204,214	266,435,157	0.08
CZ	75	41,739,485	4,970,430,480	0.84
DE	28	1,922,106	4,526,906,605	0.04
DK	2	327,025	137,687,112	0.24
EE	62	7,856,513	1,142,284,451	0.69
ES	0	0	5,631,276,118	0.00
FI	17	1,282,620	520,161,435	0.25
FR	38	2,693,453	3,345,623,300	0.08
GR	36	11,538,886	5,102,004,586	0.23
HR	33	4,160,953	1,027,492,028	0.40
HU	55	13,275,384	6,875,619,535	0.19
IE	0	0	214,053,983	0.00
IT	12	824,732	5,413,642,493	0.02
LT	57	6,682,442	1,949,706,637	0.34
LU	0	0	16,325,936	0.00
LV	11	1,034,395	932,912,265	0.11
MT	1	15,800	148,279,671	0.01
NL	2	33,497	299,359,158	0.01
PL	301	74,280,857	21,251,977,464	0.35
PT	38	3,706,220	6,657,375,487	0.06
RO	2	35,573	4,310,931,222	0.00
SE	12	412,463	511,348,991	0.08
SI	3	1,339,600	603,459,535	0.22
SK	82	105,180,052	3,038,951,565	3.46
UK	492	2,564,447	2,084,485,734	0.12
<b>TOTAL</b>	<b>1,415</b>	<b>290,027,165</b>	<b>84,920,542,844</b>	<b>0.34</b>

(1) Net payments until 2018 from CF, ERDF, ESF, EMFF. Total includes payments related to cross border co-operation.

#### 4.4.5. Ratio of established fraud (programming period 2007-13)

Table CP31 shows the ratio between the cases of established fraud and the total number of irregularities reported as fraudulent (including suspected and established fraud) in the period 2009-13. Taking into account only cases reported in 2018 would be meaningless, as the criminal proceedings leading to a conviction for fraud may take several years, while using the period 2010-14 or later periods would make it impossible to make a sound comparison with figures published in the 2013 Report.

Table CP31 is integrated with the ‘Dismissal ratio’, calculated as the differences between the total number of irregularities reported as fraudulent at the time of the 2013 Report and the total that takes into account the updates received until the end of 2018. A positive ratio means that Member States have classified as ‘suspected’ or ‘established fraud’ irregularities appearing as non-fraudulent in 2013.

In this respect, the average ratio of established fraud at EU level is 17%, increasing from 16% of 2017. The dismissal ratio is 15%. This means that the number of cases that had been reported during 2009-2013 that were still classified as fraudulent at the end of 2018 has decreased by 15% from the end of 2013. This decrease may be due to cases that have been cancelled or that have been re-classified as non-fraudulent, which justify taking this measure as a dismissal ratio. However, it must be considered that between 2014 and 2018, a number of cases that had initially been classified as non-fraudulent may have been re-classified as fraudulent, contributing to

compensate at least part of the decrease. If these cases were not considered in the calculation, the dismissal ratio would be higher. Focusing on the cases that had been reported during 2009-2013 and that were still classified as fraudulent at the end of 2018 (including irregularities initially classified as non-fraudulent and then re-classified as fraudulent), 17% of them are considered as established fraud (*ratio of established fraud*).

If one considers exclusively the “decisions” (established + dismissed) of the 208 decided cases (102 established fraud and 106 dismissals), 49% is the ‘conviction rate’ and 51% the ‘dismissal rate’.

Table CP31: Number of cases of suspected and established fraud, ratio of established fraud, dismissal ratio - cases reported between 2009-13 in relation to the programming period 2007-2013

Member State	Suspected fraud	Established fraud	TOTAL	Ratio established fraud	TOTAL 2013	Dismissal ratio
	N	N		N		%
AT	5	1	6	17%	6	0%
BE	2	0	2	0%	2	0%
BG	23	2	25	8%	30	-17%
CY	5	1	6	17%	4	50%
CZ	35	6	41	15%	63	-35%
DE	58	49	107	46%	125	-14%
EE	4	4	8	50%	7	14%
ES	1	0	1	0%	4	-75%
FI	0	0	0	N/A	3	-100%
FR	1	0	1	0%	1	0%
GR	18	3	21	14%	22	-5%
HU	8	0	8	0%	8	0%
IE	2	0	2	0%	2	0%
IT	56	0	56	0%	62	-10%
LT	9	0	9	0%	9	0%
LV	23	7	30	23%	45	-33%
MT	14	0	14	0%	14	0%
NL	1	0	1	0%	0	N/A
PL	109	18	127	14%	140	-9%
PT	12	0	12	0%	12	0%
RO	58	1	59	2%	60	-2%
SE	1	0	1	0%	5	-80%
SI	7	4	11	36%	13	-15%
SK	11	6	17	35%	21	-19%
UK	25	0	25	0%	38	-34%
<b>TOTAL</b>	<b>488</b>	<b>102</b>	<b>590</b>	<b>17%</b>	<b>696</b>	<b>-15%</b>

#### 4.5 Other shared management Funds

There are other funds used under shared management. Table CP32 provides an overview of all the irregularities and related financial amounts that have been reported by the Member States up to 2018 with reference to:

- *Asylum, Migration and Integration Fund (AMIF)*: This Fund was set up for the period 2014-20, with a total of about EUR 3.1 billion. It is meant to promote the efficient management of migration flows and the implementation, strengthening and development of a common Union approach to asylum and immigration. The largest share of the total amount of the AMIF (approximately 88%) is to be channelled through shared management. Member States implement their multiannual National Programmes, which are prepared, implemented, monitored and evaluated by the responsible national authorities, in partnership with the relevant stakeholders in the field, including the civil society. All Member States except Denmark participate in the implementation of this Fund. Examples of beneficiaries of the programmes implemented under this Fund can be state and federal authorities, local public bodies, non-governmental organisations, humanitarian organisations, private and public law companies and education and research organisations.
- *Fund for European Aid to the Most Deprived (FEAD)*: Over EUR 3.8 billion are earmarked for this Fund for the period 2014-2020. FEAD supports Member States' actions to provide material assistance to the most deprived, including food, clothing and other essential items for personal use. Material assistance needs to go hand in hand with social inclusion measures, such as guidance and support to help people out of poverty. National authorities may also support non-material assistance to the most deprived people, to help them integrate better into society. Following the Commission's approval of national programmes, national authorities decide about the delivery of the assistance through partner organisations (public bodies or often non-governmental organisations).
- *European Globalisation Adjustment Fund (EGF)*: This Fund provides support to people losing their jobs as a result of major structural changes in world trade patterns due to globalisation or as a result of the global economic and financial crisis. The EGF has a maximum annual budget of EUR 150 million for the period 2014-2020. It can fund up to 60% of the cost of projects designed to help workers made redundant find another job or set up their own business. EGF cases are managed and implemented by national or regional authorities. Each project runs for 2 years.
- *Internal Security Fund (ISF)*: This fund was set up for the period 2014-20, with a total of EUR 3.8 billion. The Fund promotes the implementation of the Internal Security Strategy, law enforcement cooperation and the management of the Union's external borders. The ISF is composed of two instruments, ISF Borders and Visa (B&V) and ISF Police. For the 2014-20 period
  - EUR 2.76 billion is available for funding actions under the ISF B&V instrument, of which EUR 1.55 billion are to be channelled through shared management. All Member States except Ireland and the United Kingdom participate in the implementation;
  - about EUR 1 billion is available for funding actions under the ISF Police instrument, of which EUR 662 million are to be channelled through shared management. All Member States except Denmark and the United Kingdom participate in the implementation.

- *Youth Employment Initiative (YEI)*: While supporting the Youth Guarantee, YEI is targeted to young people who are not in education, employment or training (NEETs), including the long-term unemployed or those not registered as job-seekers. It ensures that in parts of Europe where the challenges are most acute, young people can receive targeted support. The total budget of the YEI is EUR 8.8 billion for the period 2014-2020. Of the total budget of EUR 8.8 billion, EUR 4.4 billion comes from a dedicated Youth Employment budget line, which is complemented by EUR 4.4 billion more from ESF national allocations.

Table CP32: Number of irregularities and financial amounts reported by the Member States - AMIF, FEAD, ISF and YEI

FUND	REPORTING YEAR									TOTAL	
	2016			2017			2018			N	EUR
	N	EUR		N	EUR		N	EUR			
AMIF	0	0		1	11,951		8	1,123,317		9	1,135,269
FEAD	3	463,921		5	813,205		8	2,346,834		16	3,623,959
ISF	1	178,812		0	0		3	418,131		4	596,943
YEI	0	0		4	1,088,782		3	75,680		7	1,164,462
<b>TOTAL</b>	<b>4</b>	<b>642,732</b>		<b>10</b>	<b>1,913,938</b>		<b>22</b>	<b>3,963,962</b>		<b>36</b>	<b>6,520,633</b>