

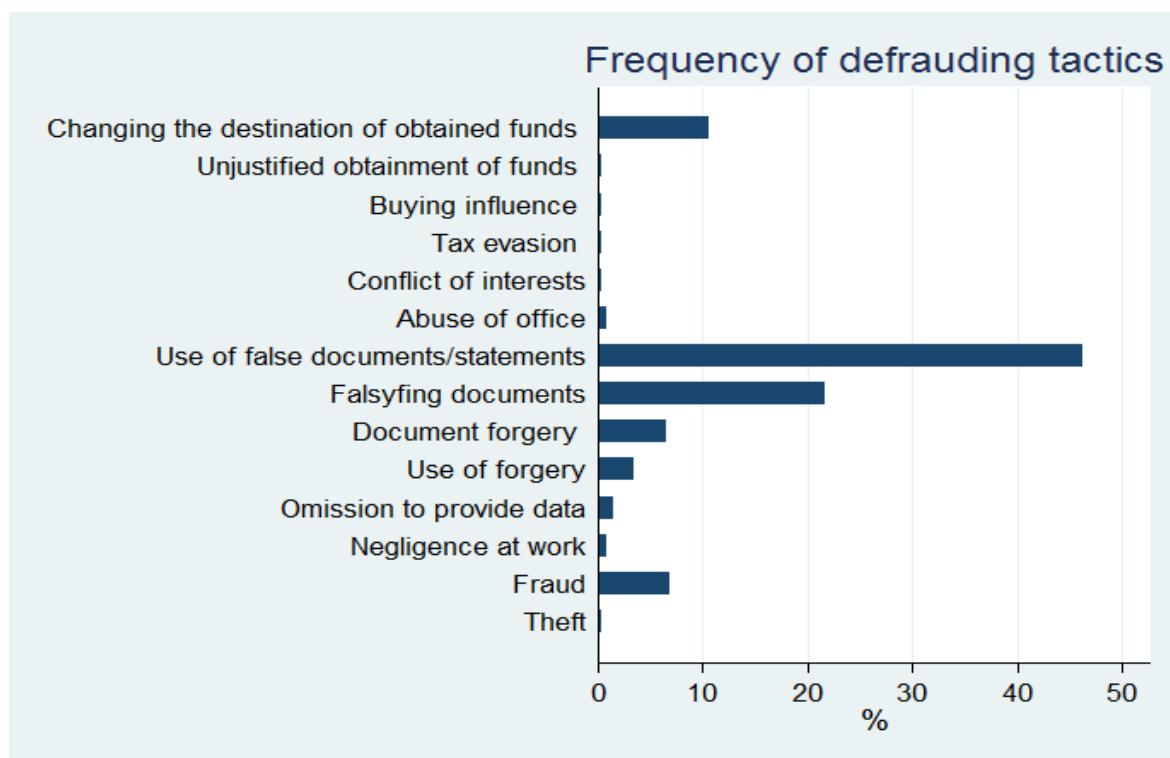
Private firms “outshined” the local authorities in defrauding European funds

The use or distribution of false, inexact, incomplete documents or statements is the most frequent strategy employed to illicitly obtain European funds according to an analysis done by the Romanian Academic Society (RAS) on the basis of final penal sentences issued by courts of law in cases handled by the National Anticorruption Directorate (NAD). The pre-accession instrument PHARE was most affected (mentioned in the penal sentences 46.59% of the time) and the most frequently mentioned entity (57.20% of the total) was the private sphere (associates, administrators, shareholders, executive or administrative directors, managers or employees of private companies).

The analysis focused on identifying the defrauding tactics most frequently used, the most affected European financial instrument and the typology of the actors involved in obtaining European funds through such means (this information was corroborated with the accompanying indictments and, where necessary, press articles). **RAS underlines the fact that this analysis does not present an exhaustive list of defrauding tactics since it concentrated on what could be proven by the NAD prosecutors during the trials ending with definitive sentences.**

The first purpose for the creation of this database was to identify the strategies most employed in defrauding European money. Taking into consideration their high number, these have been grouped – on the basis of the similarities between charges – into 14 major categories so as to have a general view of the situation.

Figure 1: The frequency of defrauding tactics



The use or distribution of false, inexact or incomplete documents or statements which have resulted in the unlawful obtaining of European funds, together with its variations (abetment, attempt, instigation, improper participation, false statements and its prolonged form) represented **46.21%** of the examined cases. Next is the strategy of **falsifying documents** (private signature, instigation, in official documents and its prolonged form) with **21.59%**. These are followed by changing the destination of obtained funds by ignoring the legal provisions (**10.61%**) and fraud (**6.82%**).

The PHARE fund was the most affected

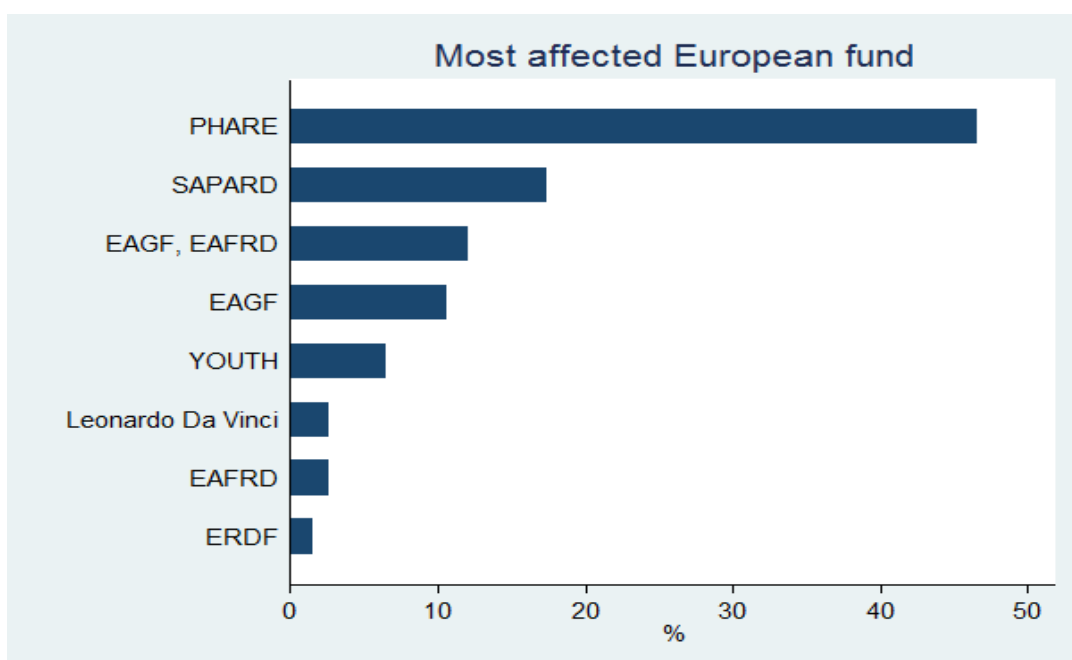
The most affected EU financial instrument was, by far, the **PHARE** pre-accession fund which was mentioned in **46.59%** of the cases. This instrument's objectives were to strengthen the capacity of both public administrations and institutions prior to accession, to help the transposition of the EU *acquis* and to promote social and economic cohesion.

The next one is also a pre-accession fund which focused on agriculture and rural development: **SAPARD** with **17.42%**. This is followed by two funds used exclusively for agriculture (these were mentioned together in the penal sentences) and which constitute the unique financial instrument of the Common Agricultural Policy (CAP). More specifically, these are the European Agricultural Guarantee Fund (**EAGF**) and the European Agricultural Fund for Rural Development (**EAFRD**) – mentioned in **12.12%** of the cases.

Once Romania completed its EU accession, the SAPARD Agency was reorganized in the Agency for Rural Development and Fishing (ARDF) and it assures the technical and financial implementation of EAFRD.

The **EAGF** fund was mentioned separately in **10.61%** of the cases. In Romania, it is administered by the Agency for Payments and Intervention in Agriculture (APIA).

Figure 2: Most affected European financial instrument

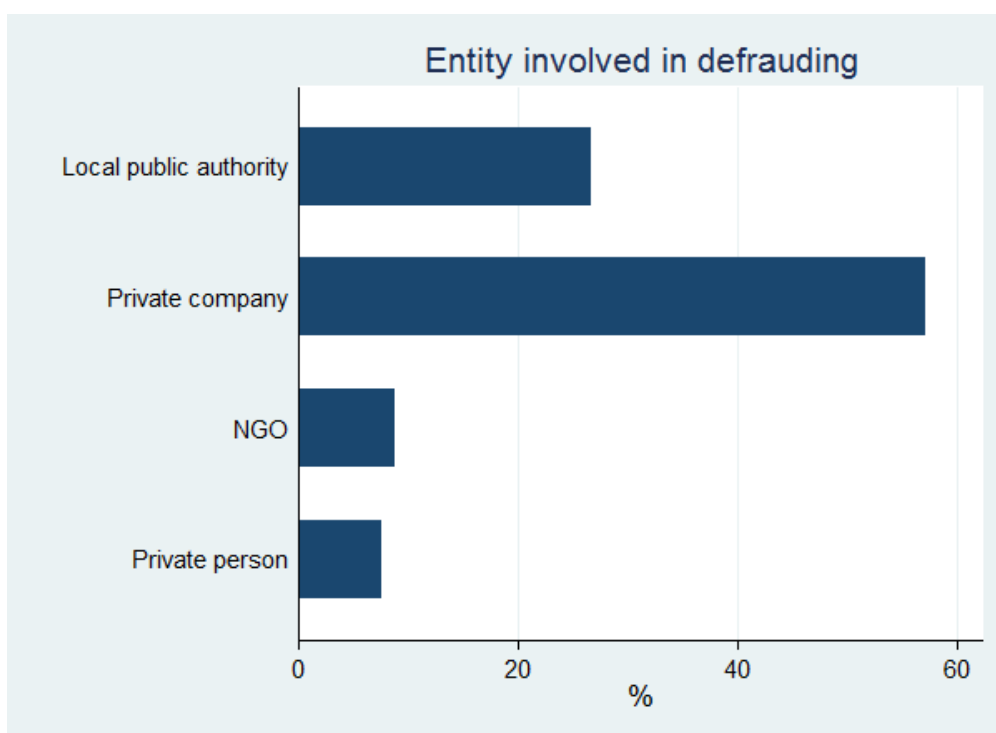


Private firms surpassed the local authorities in defrauding EU funds

Private firms (associates, administrators, shareholders, executive or administrative directors, managers or employees of private companies) were, by far, the most mentioned entity in relation to illicit methods of obtaining EU funds (**57.20%** of the total).

Local public authorities (mayors, vice-mayors, local counsellors and public employees) came in second with **26.52%**. NGOs (8.71%) and private persons, mostly farmers, (7.58%) complete the list.

Figure 3: Typology of the entities involved



2003, peak year for frauds committed in relation to EU funds

The analysis also shows the years during which most frauds were registered. The penal decisions start from 2010 and end in March 2013, but the earliest year in which frauds occurred – as stated in the indictments – is 2001. **The explanation is the fact that, during the past years, the cases concerning pre-accession funds have been resolved.**

Figure 4: The year in which the fraud started

