

Table of contents

| | |
|--|----|
| List of abbreviations | 19 |
| Chapter I. | |
| Introduction | 23 |
| 1. Objective of the study | 23 |
| 2. Methodology | 24 |
| 3. Delimitation of the research | 25 |
| 4. Outline | 25 |
| Chapter II. | |
| Basic concepts and terminology | 27 |
| 1. Financial interests of the European Communities | 27 |
| 1.1 The Community budget | 28 |
| 1.1.1 Revenues of the European Community | 28 |
| 1.1.1.1 Traditional own resources | 30 |
| 1.1.1.2 VAT-based own revenues | 31 |
| 1.1.1.3 GNI-based own revenues | 31 |
| 1.1.1.4 Other revenues | 32 |
| 1.1.2 Expenditures of the EC | 32 |
| 1.1.2.1 Agricultural expenditures, EAGGF-Guarantee section | 33 |
| 1.1.2.2 Structural Funds | 35 |
| 1.1.2.3 Internal policies | 36 |
| 1.1.2.4 External policies | 37 |
| 1.1.2.5 Administrative expenditures | 37 |
| 1.1.2.6 Other expenditures | 37 |
| 1.2 Other financial resources | 37 |
| 2. Fraud | 38 |
| 3. Irregularities | 39 |

| | | |
|-------|--|----|
| 4. | Perpetrators of the irregularities detrimental to the financial interests of the European Community | 41 |
| 4.1 | Officials of the Member States | 41 |
| 4.2 | Officials of the European Communities | 42 |
| 4.3 | Economic operators | 43 |
| 5. | Risk assessment and forms of damage to the financial interests of the European Communities | 44 |
| 5.1 | Irregularities detrimental to the revenues | 44 |
| 5.1.1 | Irregularities affecting traditional own resources | 44 |
| 5.1.2 | Other forms of fraud affecting the revenues of the EC budget | 45 |
| 5.2 | Irregularities detrimental to the expenditures | 46 |
| 5.2.1 | <i>Irregularities affecting Common Agricultural Policy</i> | 46 |
| 5.2.2 | Irregularities affecting Structural Funds | 47 |
| 5.2.3 | Irregularities affecting other expenditures | 48 |
| | | |
| | Chapter III. | |
| | Necessity of protection of the financial interests of the European Communities | 49 |
| 1. | Scale of irregularities detrimental to EC financial interests | 49 |
| 1.1 | Reporting obligations | 49 |
| 1.2 | Implementation of reporting obligations by the Member States | 51 |
| 2. | Consequences of irregularities | 53 |
| 3. | Obstacles for the efficient protection of the financial interests of the European Communities | 55 |
| 3.1 | Legal obstacles | 55 |
| 3.1.1 | Numerous and complex rules of Community law | 55 |
| 3.1.2 | Incomplete system of detection and prevention | 56 |
| 3.1.3 | Transborder character of committed irregularities and fragmentation of the European criminal law space | 57 |
| 3.2 | Institutional obstacles | 59 |
| 3.3 | Conclusion | 60 |

| | |
|--|----|
| Chapter IV. | |
| Legal framework for protection of the financial interests of the European Communities | 62 |
| 1. Evolution of legal instruments on the protection of the European Communities' financial interests | 62 |
| 1.1 Historical development of anti-fraud mechanisms within the EC | 62 |
| 1.2 UCLAF and the protection of the financial interests of the EC | 63 |
| 1.3 Protection of financial interests in the Treaty of Maastricht | 65 |
| 2. Protection of the financial interests of the EC against irregularities and fraud – allocation of competencies and legal framework | 66 |
| 2.1 Primary law instruments | 67 |
| 2.1.1 Article 274 EC Treaty | 67 |
| 2.1.2 Article 280 EC Treaty | 67 |
| 2.1.2.1 General remarks – principle of subsidiarity | 67 |
| 2.1.2.2 Allocation of competences in Article 280 EC Treaty | 68 |
| 2.2 Secondary law instruments | 70 |
| 2.2.1 Horizontal instruments | 71 |
| 2.2.1.1 Council Regulation (EC, EURATOM) No. 2988/95 | 71 |
| 2.2.1.1.1 Competences of the Member States | 71 |
| 2.2.1.1.2 Competences of the Community | 72 |
| 2.2.1.2 Council Regulation (EC, EURATOM) No. 2185/96 | 72 |
| 2.2.2 Legislation creating OLAF (Commission Decision 1999/352) | 73 |
| 2.2.3 Procedural rules (Council Regulations (EC, EURATOM) 1073/99 and 1074/99) | 74 |
| 2.2.4 Legal basis for internal investigations (Interinstitutional Agreement between the European Parliament, the Council and the Commission) | 74 |
| 2.2.5 Sectoral instruments | 77 |
| 2.2.6 Instruments on recovery of sums wrongly paid | 78 |
| 3. Third-Pillar instruments aimed at harmonisation of Member State law | 79 |
| Chapter V. | |
| System of sanctions for protection of the financial interests of the European Communities | 83 |
| 1. Sanctions as policy and enforcement element of EC law | 83 |
| 2. Typology of sanctions | 83 |

| | | |
|---------------------------------------|--|-----|
| 2.1 | Functions of sanctions | 84 |
| 2.2 | Addressee of the sanctions | 84 |
| 2.3 | Sanctions imposed by the Community and the Member States | 85 |
| 2.3.1 | Competence of the Community | 85 |
| 2.3.2 | Scope of competence | 85 |
| 2.3.3 | Enforcement of sanctions | 86 |
| 2.4 | Nature of the sanctions | 86 |
| 3. | Principles for imposing sanctions | 86 |
| 4. | Sanctions as an element of protection of EC financial interests | 87 |
| 4.1 | Administrative measures | 88 |
| 4.2 | Administrative penalties | 88 |
| 4.2.1 | Administrative fines | 89 |
| 4.2.2 | Payment of an amount greater than the amounts wrongly received or evaded | 89 |
| 4.2.3 | Total or partial removal of granted advantage | 90 |
| 4.2.4 | Withdrawal or exclusion – debarment lists ('blacklisting') | 90 |
| 4.2.5 | Temporary withdrawal of approval or recognition | 91 |
| 4.2.6 | Loss of security or deposit | 92 |
| 4.2.7 | Other penalties | 92 |
| 4.3 | Criminal penalties | 92 |
| 5. | Conclusions and prospects | 93 |
| | | |
| Chapter VI. | | |
| The European Anti-Fraud Office (OLAF) | | 95 |
| | | |
| 1. | Background | 95 |
| 2. | Organisation of OLAF | 95 |
| 2.1 | The Director-General of OLAF | 96 |
| 2.2 | Supervisory Committee | 98 |
| 2.3 | The Staff | 99 |
| 3. | Independence of OLAF | 99 |
| 3.1 | Assessment by the Supervisory Committee | 100 |
| 3.2 | Assessment by the ECA | 101 |
| 3.3 | Conclusion | 102 |

| | | |
|--------------|--|-----|
| 4. | Competencies of OLAF | 102 |
| 4.1 | External investigations | 103 |
| 4.1.1 | Background | 103 |
| 4.1.2 | Legal basis for external investigations | 104 |
| 4.1.3 | Investigations based on the horizontal rules | 105 |
| 4.1.4 | Investigations based on sectoral rules | 105 |
| 4.1.4.1 | Investigations in the field of EC revenues | 105 |
| 4.1.4.1.1 | OLAF investigations in the field of own resources | 105 |
| 4.1.4.1.2 | OLAF investigations in the field of customs and agriculture | 106 |
| 4.1.4.2 | Investigations the field of EC expenditures | 107 |
| 4.1.4.2.1 | OLAF investigations in the CAP | 107 |
| 4.1.4.2.2 | OLAF investigations in Structural Funds | 108 |
| 4.1.4.2.3 | OLAF investigations in the Cohesion Fund | 108 |
| 4.1.4.2.4 | OLAF investigations in the field of research | 109 |
| 4.1.4.2.5 | OLAF investigations in the ERF | 109 |
| 4.1.4.2.6 | OLAF investigations in projects regarding environment | 109 |
| 4.1.4.2.7 | OLAF investigations in pre-accession funds | 110 |
| 4.1.4.2.8 | OLAF investigations in the EDF | 110 |
| 4.2 | Internal investigations | 111 |
| 5. | Limitation of OLAF's competencies | 113 |
| 5.1 | Principle of proportionality | 113 |
| 5.2 | Rule of law | 114 |
| 5.3 | Limitations with respect to enforcement | 115 |
| 5.4 | Principle of internal organisational autonomy of EC institution | 116 |
| 5.5 | Fundamental rights, immunities, privileges | 117 |
| Chapter VII. | | |
| | Protection of procedural rights | 118 |
| 1. | General remarks | 118 |
| 2. | Protection of rights of persons affected by OLAF investigations by Community law | 119 |
| 2.1 | Legal character of OLAF investigations | 119 |
| 2.2 | Rights to be protected | 121 |
| 2.2.1 | Right to defence | 121 |

| | | |
|---|--|-----|
| 2.2.2 | Right to be given reasons for a decision | 122 |
| 2.2.3 | Right to legal representation | 123 |
| 2.2.4 | Right to legal privilege | 124 |
| 2.2.5 | Right to be heard | 126 |
| 2.2.6 | Access to documents | 128 |
| | 2.2.6.1 Content | 128 |
| | 2.2.6.2 Limitations | 129 |
| 2.2.7 | Right to confidentiality | 131 |
| 2.2.8 | Right to privacy | 131 |
| 2.2.9 | Right to a timely decision | 132 |
| 2.2.10 | Right to compensation of damages | 133 |
| 2.2.11 | Right to judicial review | 133 |
| 2.2.12 | Protection of personal data | 133 |
| 3. | Immunities and privileges in internal investigations | 135 |
| 3.1 | The Immunities and Privileges | 135 |
| 3.2 | Official secrecy | 137 |
| | | |
| Chapter VIII. | | |
| Protection of witnesses and whistleblowers in OLAF investigations | | 139 |
| | | |
| 1. | Background | 139 |
| 2. | Legal framework | 140 |
| 3. | Categories of persons | 140 |
| 3.1 | Informants | 140 |
| 3.2 | Whistleblowers | 141 |
| 3.3 | Witnesses | 142 |
| 3.4 | Anonymous sources | 142 |
| 4. | Whistleblowing procedure | 142 |
| 4.1 | Obligations of whistleblowers | 142 |
| 4.1.1 | Background | 142 |
| 4.1.2 | Form of providing information | 144 |
| 4.2 | Internal procedure of whistleblowing | 144 |
| 4.3 | External procedure of whistleblowing | 145 |
| 4.4 | Exceptions | 146 |
| 5. | Protection of whistleblowers | 146 |

| | | |
|---|---|-----|
| 5.1 | Prerequisites for granting protection | 146 |
| 5.2 | Penalties for making false and malicious allegations | 147 |
| 5.3 | Rights granted to whistleblowers | 147 |
| 5.3.1 | Rights of whistleblowers in case law of the EC courts | 147 |
| 5.3.2 | Rights of whistleblowers in decisions of the European Ombudsman | 148 |
| 5.3.2.1 | Right to be informed about the outcome of the investigation | 148 |
| 5.3.2.2 | Right to be informed about the duration of investigation | 149 |
| 5.3.3 | Rights of whistleblowers clarified by the European Commission | 149 |
| 5.3.4 | Rights of whistleblowers in the draft Regulation amending Regulation (EC) No. 1073/99 | 150 |
| 5.4 | Protection of persons who suffered retaliation | 150 |
| 5.5 | Action against persons who engaged in retaliation | 151 |
| 6. | Conclusions | 151 |
| | | |
| Chapter IX. | | |
| Supervision and accountability mechanisms of OLAF | | 153 |
| | | |
| 1. | Accountability mechanism – OLAF reports | 153 |
| 2. | The Supervisory Committee | 154 |
| 3. | The European Parliament | 155 |
| 4. | The European Court of Auditors | 156 |
| 5. | The European Ombudsman | 159 |
| 5.1 | Introduction – competences and procedure | 159 |
| 5.2 | Scope of the review of OLAF investigations by the European Ombudsman | 161 |
| 5.3 | Outcome of Ombudsman’s inquiries | 161 |
| 5.3.1 | Theoretical approach | 161 |
| 5.3.2 | Practical approach | 162 |
| 5.4 | Impact of the review of OLAF investigations by the European Ombudsman | 164 |
| 6. | Judicial supervision of OLAF’s actions – role of the European Community courts | 165 |

| | |
|---|-----|
| Chapter X. | |
| Judicial review of OLAF investigations | 166 |
| 1. Action for annulment according to Article 230(4) EC Treaty | 166 |
| 1.1 Admissibility of the complaint | 166 |
| 1.2 Merit of claim | 170 |
| 2. Complaints for failure to act according to Article 232(3) EC Treaty | 170 |
| 3. Action for interim measures | 171 |
| 3.1 ECJ | 171 |
| 3.2 Legal protection before the national courts | 175 |
| 4. Action for damages (Article 288 EC Treaty) | 176 |
| 5. Legal protection of individuals affected by internal investigations | 179 |
| 5.1 Complaint to the Director-General according to Article 90(2) of the Statute | 179 |
| 5.2 Complaint to the European Union Civil Service Tribunal according to Article 236 EC Treaty in conjunction with Article 14 of Regulation (EC) No. 1073/99 and Article 90 of the Staff Regulations | 180 |
| Chapter XI. | |
| Protection of the Communities' financial interests in the context of enlargement | 183 |
| 1. Enlargement and <i>acquis communautaire</i> with regard to protection of EC financial interests against fraud | 183 |
| 2. Preparation for accession | 184 |
| 3. Problems within the new Member States | 186 |
| Chapter XII. | |
| New strategies for protection of the financial interests of the EC | 188 |
| 1. General remarks | 188 |
| 2. Criminal law dimension – the European Public Prosecutor | 188 |
| 2.1 <i>Corpus Juris</i> | 189 |

| | | |
|---------------|---|-----|
| 2.2 | Draft Article 280a EC Treaty | 191 |
| 2.3 | Commission Draft Directive of 23 May 2001 on protection of EU funds under criminal law | 193 |
| 2.4 | Green Paper on criminal-law protection of the financial interests of the Community | 194 |
| 2.5 | Constitutional Treaty | 195 |
| 3. | Administrative law dimension | 197 |
| 3.1 | Reform of Regulation (EC) No. 1073/99 | 197 |
| 3.1.1 | First drafts | 197 |
| 3.1.2 | New proposal for a Regulation of the European Parliament and of the Council amending Regulation (EC) No. 1073/1999 concerning investigations conducted by the European Anti-Fraud Office (OLAF) | 198 |
| 3.2 | Draft Commission Decision amending its Decision (1999/352/EC, ECSC, EURATOM) of 28 April 1999 establishing the European Anti-Fraud Office (OLAF) | 199 |
| 3.3 | Charter of fundamental rights | 200 |
| Chapter XIII. | | |
| | Conclusions | 202 |
| Appendix A. | | |
| | List of cited literature | 205 |
| I. | Commentaries | 205 |
| II. | Books | 205 |
| III. | Articles | 207 |
| Appendix B. | | |
| | Further bibliography | 215 |
| I. | Books | 215 |
| II. | Articles | 218 |

| | |
|--|-----|
| Appendix C. | |
| Legal instruments | 227 |
| I. Primary law instruments | 227 |
| II. Secondary law instruments | 227 |
| 1. EC Regulations | 227 |
| 2. EC Directives | 230 |
| 3. EC Decisions | 230 |
| 4. EC Resolutions | 232 |
| 5. Communications | 232 |
| 6. Council documents | 233 |
| 7. Legislative proposals | 233 |
| 8. Other documents and materials | 234 |
| | |
| Appendix D. | |
| Reports | 236 |
| I. Reports of the European Commission | 236 |
| II. Reports of the European Anti-Fraud Office (OLAF) | 237 |
| III. Reports of the Supervisory Committee | 237 |
| IV. Reports of the European Court of Auditors | 237 |
| V. Reports of the Committee of Independent Experts | 238 |
| VI. Reports of the European Parliament | 238 |
| VII. Reports of the European Ombudsman | 239 |
| | |
| Appendix E. | |
| List of parliamentary questions | 240 |
| | |
| Appendix F. | |
| Table of cases | 241 |
| I. Judgments of the European Court of Justice | 241 |
| II. Judgments of the Court of First Instance | 245 |

| | |
|---|-----|
| III. Cases before the EU Civil Service Tribunal | 247 |
| IV. Decisions and recommendations of the European Ombudsman | 248 |
| Appendix G. Press releases | 249 |
| Appendix H. Internet sources | 250 |