



Fighting fraud in EU external relations

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DG NEAR

The European Union (EU) is collectively the biggest development cooperation donor in the world. **The Directorate General for Neighbourhood and Enlargement Negotiations (DG NEAR)** supports reform and democratic consolidation, and strengthens the prosperity, stability, and security around Europe. We work closely with our partners and beneficiaries to fight fraud and corruption.

Whether you are a committed citizen of the EU, a fund manager, a coordinator or a beneficiary of a project, **reporting and fighting fraud against EU funds is your obligation and a way to reach our mutual goals**. Any diversion of funds from their intended purpose may affect the objectives of our activities and harm involved citizens. If you manage or receive the EU funds, you must ensure full compliance with your contractual obligations related to the prevention of fraud. Financial wrongdoing can impact fair and transparent competition, financial interests of projects, and ultimately the economic and social development in the country or region.



What is fraud?

Fraud is any intentional act of deception or omission for personal gain or to harm the interests of another party.

Examples of fraud:

- **Presentation of incorrect or incomplete statements or documents leading to the wrongful award of contracts or payments**
e.g. falsification of invoices, missing or incomplete timesheets, falsification of employment contracts, falsification of the EU certificates of origin, falsification of CVs.
- **Non-disclosure of required information**
e.g. documentation regarding the selection of subcontractors or tenders are not kept or not provided to the contracting authority.
- **Access to confidential information or collusion among applicants or between applicants and contracting authority in order to manipulate tender procedures**
- **Conflict of interests in procurement or subcontracting in order to inflate prices**
- **Double funding**
e.g. several donors are supporting the same activity, experts fees related to the same working day/ hours are paid by different projects.

Conflict of interest

Conflict of interest exists where the impartial and objective exercise of the functions of a person (involved in budget or project implementation) is compromised for reasons involving family, emotional life, political or national affinity, economic interest or any other direct or indirect personal interest. For example, the employment of a family member as a key expert under project implementation. A conflict of interest can arise even if the person does not actually benefit from the situation, as it is sufficient that circumstances compromise the exercise of their functions in an objective and impartial manner.

In practical terms, to avoid such compromise, one should refrain from involvement, influences or pressures that may affect his/ her impartiality and objectivity (or the perception of his/ her impartiality or objectivity) in the professional performance. This could in particular result from friendships or enmities, family relationships, party affiliations, associations or religious beliefs. Direct and indirect interest can also include gifts or hospitality, non-economic interests, or result from involvement with non-governmental or political organisations (even if non remunerated), competing duties of loyalty between one entity the person owes a duty to and another person or entity the person owes a duty to.



Corruption

Any abuse of power by a public official for private or personal gain. Corruption takes many forms, such as bribery, trading in influence, abuse of functions, but can also hide behind nepotism, conflicts of interest, or revolving doors between the public and the private sectors. Corruption constitutes a threat to security, as an enabler for crime and terrorism. It acts as a drag on economic growth, by creating business uncertainty, slowing processes, and imposing additional costs.



Collusion

The creation of a coordinated and secret conspiracy by several individuals or entities in order to defraud the EU budget. For example, trying to influence a tender or showing favouritism to a particular company for a contract. This covers as well conflicts of interest.

Fraud indicators

Fraud indicators are warning signs implying possible fraud or other irregularities. It is important to know them in order to be able to identify them as early as possible. Especially if more than one is present, one should be more vigilant than usual and report them to the competent contracting authority.



How can you report the allegations of fraud?

Are you implementing the EU-funded projects from a partner country?

Do not hesitate to consult the contractual provisions and report any potential fraud or irregularities to the **contracting authority**.

In addition, any physical or natural person, worldwide, can report allegations of the EU budget fraud directly to the **European Anti-Fraud Office (OLAF)**, which is the EU body investigating matters relating to fraud, corruption and other offences affecting the EU financial interests concerning all expenditure. You can report in any of the official EU languages (click [here](#) or by post: [OLAF – European Commission – 1049 Brussels Belgium](#)).



Examples of fraud indicators:

- Complaints (from different sources)
- Inconsistencies in official documents (concerning numbering, dates, names, etc.);
- The applicant is not known in its field of activity or does not have a website
- Identical mistakes in bid documents from different bidders
- Many awards to the same entity
- Apparent “rotation” of winning bidders
- Splitting of a bidding package in many small contracts
- Viable bids rejected (without good reasons)
- Extremely fast or slow bidding process
- Same expert appearing in several projects running at the same time
- Time sheets cannot be found or have been changed
- Changes in contract terms, values and project teams (in relation also to the so called “bait and switch”)
- Unusual delays in implementation or recurrent request of extensions
- Low quality, poor performance and high number of complaints in the implementation of the project
- Cash payments
- Same invoices with different serial numbers or multiple invoices with same amount, invoice number, date, etc.
- Service provider cannot be found in any directories, the internet, Google and other search engines or is an off-shore company
- Subcontractor is one of the losing bidding companies

Finally, you can also consult the **Anti-Fraud Coordination Service (AFCOS)**, which are established in pre-accession countries, while other countries may have a similar service. You can also check [here](#) which authorities have signed administrative cooperation agreements with OLAF in partner countries or international organisations.

What happens next?

When a fraud is committed and established

A fraud is considered established once a definitive decision (judicial or administrative) has been taken by a competent body (e.g. OLAF or **EPPO**, the European Public Prosecutor Office), establishing the presence of intentional behaviour.

In such cases, the EU can interrupt or suspend contracts, projects and payments, introduce financial corrections and recover the money already paid.

In addition, administrative measures may be applied against the responsible person or entity. These measures include the early detection of persons or entities representing risks threatening the EU's financial interests, the exclusion of persons or entities from participating in award procedures, the imposition of financial penalties and the publication on the Commission's internet site of information related to the exclusion and the financial penalty. For more details, please see the **Early Detection and Exclusion System (EDES)**.



Additional resources



- **The Practical Guide (PRAG)**, which provides with practical assistance in preparing and implementing procurement and grant contracts in the field of external action.
- **The Guidance on the avoidance and management of conflicts of interest under the Financial Regulation**, which promotes a uniform interpretation and application of the rules on avoidance of conflicts of interest.
- **The Companion**, which provides guidance and instructions to support EU staff when implementing procurement contracts in the context of external actions.
- **EU Funds Anti-Fraud Knowledge & Resource Centre**.
- **Fraud in Public Procurement - A collection of Red Flags and Best Practices**.