



RECOVERY AND RESILIENCE SCOREBOARD

NEXT
GEN
EU

Thematic analysis

Anti-corruption and anti-fraud

April 2022



This paper is part of a series of thematic analyses undertaken by the European Commission to illustrate the impact of the Recovery and Resilience Facility (RRF). The RRF is the European Union's largest ever funding instrument and is intended to support European economies and societies to recover from the Covid-19 pandemic and build resilience against future shocks. EU Member States commit to implement ambitious reforms and investments and receive funds from the RRF when they achieve these commitments.

Recovery and Resilience Scoreboard

Thematic analysis



Policy Overview

Anti-corruption and anti-fraud policies are a critical factor enabling the creation and maintenance of an environment conducive to economic growth. If not tackled properly, corruption damages the absorption of public funds, hampers the growth of private investments, disincentivises doing business, lowers trust in state institutions and increases social inequalities. Fraud prevents public funds from reaching their intended recipients and objectives.

Comprehensive anti-corruption and anti-fraud frameworks need to be in place to tackle corrupt and fraudulent practices effectively and in a sustainable manner. These include preventive systems as well as effective law enforcement, sanctions, justice systems and public administrations. Transparency and an open government are also critical pillars on which any anti-corruption and anti-fraud framework must be built.

Tackling corrupt and fraudulent activities is highly complex. Targeting the root causes of corruption and fraud involves challenges linked to measurement, evidence identification, the proper implementation of measures and the ineffectiveness of a one-size-fits-all approach. Each country has its own anti-fraud challenges related to its anti-fraud environment and culture.

Recovery and resilience plans (RRPs) give new reform momentum to anti-corruption and anti-fraud measures in Member States. Political will and an appetite for reforms are necessary for the introduction of measures related to anti-corruption and anti-fraud. The ultimate goal of the RRP that include anti-corruption and anti-fraud reforms and investments is to reduce incentives for diverting resources from economic growth as much as possible.

Anti-corruption policy continues to be among the EU's political priorities. The EU's Security Union Strategy, adopted by the Council in July 2020, has identified the link between corruption and organised crime as one of the relevant strategic objectives to be taken forward in 2020-2025. The EU Strategy to tackle organised crime for 2021-2025 adopted by the Commission on 14 of April 2021 aims to target action on the main criminal markets and address corruption and the financial aspects of organised crime.

The European Commission regularly monitors the anti-corruption framework in the EU through the yearly Rule of Law Reports. The reports cover an analysis of the legislative, strategic and operational frameworks in the fight against corruption and enable a preventive dialogue with national authorities and interested stakeholders at EU and national level. A particular focus is put on reforms to strengthen Member States' capacity to fight and repress corruption and high-level corruption in particular. While most Member States have extensive legislation in place providing the criminal justice system with tools to fight corruption in all its forms, challenges remain in practice in the criminal investigations, prosecutions and the application of sanctions, particularly in high-level corruption cases. On the prevention side, the verification of asset declarations and lobbying are policy priority areas, as they concern the interface between politics and business. The next EU Rule of Law Reports that will be published in July 2022 will include anti-corruption recommendations.

Recovery and Resilience Scoreboard

Thematic analysis



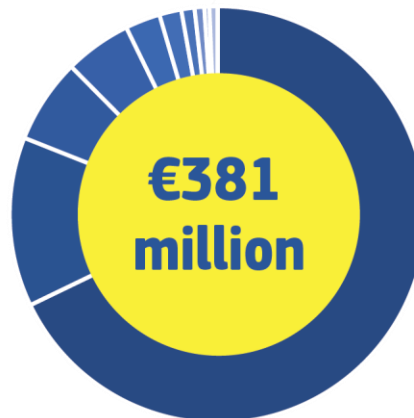
Anti-corruption and anti-fraud in the recovery and resilience plans

Overview of the plans

Total planned expenditure in RRP on anti-corruption and fraud prevention measures amounts to EUR 381 million. These measures can be found in 17 RRP. The majority of measures include typical anti-corruption features such as the protection of whistle-blowers, the implementation of relevant legislation or addressing potential conflict of interest issues. Other broader anti-fraud measures relate for example to tax and customs fraud, digitization of finance police or to audit and control measures. The stand-alone theme is anti-money laundering which is covered in 9 RRP.

Anti-corruption and anti-fraud

Expenditure in EUR millions per Member State



Romania (€258.4)	Slovakia (€50.1)	Italy (€25.0)	Finland (€19.8)	Greece (€10.4)
Cyprus (€6.5)	Estonia (€3.9)	Croatia (€2.9)	Latvia (€1.5)	Luxembourg (€2.5)

Note: This chart shows estimated expenditure based on the pillar tagging methodology for the Recovery and Resilience Scoreboard and corresponds to the total of measures allocated to the two policy areas "fraud prevention" and "anti-money laundering supervision" as primary or secondary policy areas.

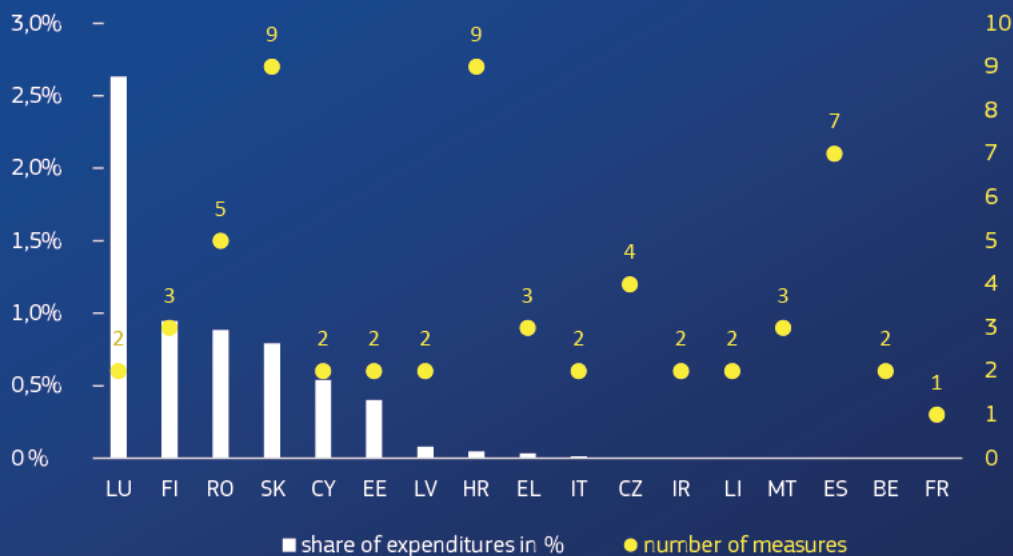
Recovery and Resilience Scoreboard

Thematic analysis



Because many anti-corruption and anti-fraud measures call for the adoption and implementation of anti-corruption legislation, they usually do not necessitate high financial injections and they are usually reforms. Out of a total of 60 measures in these areas, the majority of measures are reforms (42), building on the reform momentum in Member States. In some countries, such as Czechia or Malta, the financial allocation in absolute sums for measures linked to anti-corruption is none, whereas in others, for example Romania, RRF support is substantial for both the reform and investment elements (EUR 258 million of RRF financial resources supporting the investment measures to improve and modernise tax and customs administrations). The chart below combines the relative share of the anti-corruption / anti-fraud expenditures in the plans to the total RRF allocation per Member State and the number of measures contained in the respective plans. The relative share in expenditures is led by Luxembourg where measures are aimed at the fight against money laundering and terrorist financing. Finland, Romania and Slovakia, following next, put extensive efforts to a wider range of reforms and investments – in Finland mainly in the anti-money laundering domain and reforms in relation to the effectiveness and transparency of the Plan, in Romania predominantly in the field of tax and customs administration, and in Slovakia mainly to build up the whistle-blowers office and police force, and to fight money laundering.

Share of anti-corruption and fraud prevention expenditures, and number of measures in the Plans
 % of total allocation per Member State and number of anti-corruption/anti-fraud measures per Member State



Recovery and Resilience Scoreboard

Thematic analysis



Reforms

Reforms are the backbone of anti-corruption policies. They represent 70% of all measures with the amount of EUR 37.8 million. Although the majority of reforms (32 out of 42) are not accompanied by specific RRF investments, these reforms are often sensitive and complex. Financing for anti-corruption / anti-fraud reforms is provided to 6 Member States (CY, EE, EL, FI, HR, LU).

There are two different types of anti-corruption reforms to be carried out by Member States. The first type is dedicated to increasing the efficiency of the fight against corruption mainly by improving and strengthening the legal and institutional anti-corruption frameworks. The second type of measures found in RRFs relate to anti-money laundering and include enhancements of the AML frameworks, such as strengthening supervision, enhancing inter-institutional cooperation or modernization of processes, just to name a few.

The anti-fraud element is an integral part of several other reforms. This can range from combatting the tax fraud, modernising customs, limiting the use of cash in large transactions, fighting undeclared work, to strengthening the corporate governance of the state-owned enterprises or targeting specific features of the public procurement¹.

Investments

There are 18 investments with an anti-corruption / anti-fraud / anti-money laundering element amounting to EUR 343 million across 7 plans (HR, CY, EE, IT, LV, RO, SK). These investments are directed mainly towards modernisation, capacity building or technical equipment, be it in strengthening a whistle-blowers office or staffing anti-money laundering administrations. Another stream is dedicated to the digitisation of finance police, customs, tax offices or digitisation of assets declaration of state officials. Romania is by far the country with the largest absolute amount of investment (EUR 258 million), followed by Slovakia (EUR 50 million) and Italy (EUR 25 million). However, when assessing the scope and expected impact of measures specifically in the area of anti-corruption and anti-fraud, the level of investment should be considered in a broader context, since reforms and investments work hand in hand to tackle the complexity of corruption and fraud practices.

Good practices



Croatia has included a comprehensive set of reforms and investments in the RRF to prevent, detect and correct corruption. Strategically, their objective is to ensure conditions enabling the transparent and effective allocation of public funds to foster resilience and economic growth. The legislative framework is to be strengthened by adopting the new anti-corruption strategy, a law on the prevention of conflict of interest, a law on the protection of persons reporting irregularities, a code of ethics for parliamentarians and a code of ethics for officials in the executive. In parallel, the Croatian authorities plan to increase the budget for employees of anti-corruption bodies in the justice system, and the budget for the acquisition of IT tools and equipment by judicial authorities to investigate corruption. Digitalisation will help put into operation an electronic ethics management system of civil servants and an improved asset declaration information systems for state officials and judicial officials. Moreover, awareness raising campaigns will be launched with the general public on the harmful effects of corrupt practices.

Anti-money laundering measures have also been introduced with a comprehensive set of measures to strengthen the anti-money laundering framework. Croatia plans to carry out continuous training by Supervisory bodies and the Anti-Money Laundering Office of staff of all reporting institutions and authorities. The continuous exchange of


¹ Beyond the measures allocated to the policy areas 'Fraud prevention' and 'Anti-money laundering supervision', this thematic analysis also takes into account measures included under other policy pillars or policy areas for their substantive contribution to anti-corruption / anti-fraud. Public procurement measures are primarily dealt with in the modernisation of public administration and delivery of public services thematic analysis or in the digital public services thematic analysis.

Recovery and Resilience Scoreboard


Thematic analysis



information between the Anti-Money Laundering Office and the supervisory authorities will further strengthen the framework. Moreover, an action plan to mitigate the identified risks of money laundering and terrorist financing was implemented by the end of 2021 as part of the RRP. The plan also envisages a reform to strengthen supervision of the financial sector, by developing a risk-based approach methodology.

 **Czechia's RRP has one entire component dedicated to anti-corruption reforms.** These consist in the protection of whistle-blowers, the collection and analysis of data on corruption, and the regulation of lobbying. Legislative reforms are planned to ensure the protection of whistle-blowers by setting up of a system of internal and external notification channels and by ensuring mechanisms which will guarantee that no retaliatory measures are taken against whistle-blowers. The new law on lobbying will define lobbying, require the setup of a register of lobbyists and lobbied persons, and introduce an obligation to register lobbying and sanctions for non-compliance.

Audit and control measures in the Czech RRP also address broader conflict of interest measures and the correct transposition of the anti-money laundering directive. These measures should establish compliance with the anti-money laundering requirements on beneficial owners and to ensure that the sufficient and systemic prevention of the conflict of interest in the context of the RRF is in place. This reform includes several measures to protect the financial interests of the Union, for example a compliance review of the national procedures on the application of beneficial ownership, issuing guidance for the component owners and other entities implementing reforms and investments under the recovery and resilience plan, and an action plan to improve the internal control system of the RRP coordinating body.

 **Romania's RRP features a new anti-corruption strategy,** aiming at reducing corrupt practices, strengthening the integrity framework, improving performance in fighting corruption and increasing the implementation of the anti-corruption measures. It aims to strengthen expertise and capacities in public institutions in preventing and combatting corruption. Romania is moreover expected to introduce the law on protection of the whistle-blowers, thus transposing the related EU directive. The integrity framework will be evaluated and updated to ensure a more transparent disclosure of conflicts of interest and declaration of assets, and to prevent "revolving door" appointments of public officials.

Reforms of the tax administration process aim at preventing tax fraud. In particular, databases and taxpayers information will be integrated and shared across ministries and agencies, the capacity of tax control structures will be strengthened. Romania moreover committed to modernise its customs system and to implement electronic customs.

Recovery and Resilience Scoreboard

Thematic analysis



Country overview

The figures provided in the Country Overview are based on the pillar tagging methodology for the Recovery and Resilience Scoreboard and correspond to the measures allocated to the two policy areas 'Fraud prevention' and 'Anti-money laundering supervision' as primary or secondary policy area. 17 out of 22 recovery and resilience plans approved by the Council by March 2022 include measures in these policy areas. The description further takes into account additional measures, included under other policy pillars or policy areas that are also relevant for anti-corruption and anti-fraud efforts. For all Member States, the listed relevant components are based on the Council Implementing Decision.

Belgium

Allocation: EUR 0. Relevant components: BE-C[CAC]-R[R-1.S1] and BE-C[CAC]-R[R-1.S2]

The Belgian RRP contains two sub-measures related to the audit and control of the plan to put in place a repository system and adequate coordination arrangements.

Croatia

Allocation: EUR 2.9 million. Relevant components C23, C24, C26, C28

Croatia is to introduce a comprehensive set of reforms in order to prevent, detect and correct corruption. The main reforms aim to introduce the new anti-corruption strategy, law on the prevention of conflict of interest, law on the protection of persons reporting irregularities, code of ethics for parliamentarians and a code of ethics for officials in the executive roles. The capacities are to be strengthened both at the human resources level and IT equipment level. The anti-money laundering framework is to be enhanced as well. Fraud prevention has also been included by strengthening the capacity of the police to tackle cybercrime. In addition, the country plans to improve corporate governance in majority-owned companies of local and regional government units.

Cyprus

Allocation: EUR 6.5 million. Relevant components 3.4

The Cypriot RRP aims to strengthen the legal and institutional framework for fighting corruption by establishing the Independent Authority against Corruption which is expected to coordinate the efforts of all bodies engaged in the fight against and prevention of corruption and to supervise the timely implementation of actions by the different competent services. The law on Transparency in Decision-Making and Related Matters, including provisions to prevent conflict of interest, and the law to protect whistle-blowers reporting fraud and corruption are to be introduced. Moreover, at least 120 organisations (public and private) are to be ISO accredited for the Standard "ISO 37001 ANTI-BRIBERY MANAGEMENT SYSTEMS". The beneficial ownership registry is to be deployed and become available for use at national level and European level, enabling users to check the ultimate beneficial ownership information of legal entities and to achieve interconnection of the beneficiary ownership registers with other Member States.

Czechia

Allocation: EUR 0. Relevant components 4.3

The anti-corruption and anti-fraud measures consist of measures for the protection of whistle-blowers, collection and analysis of data on corruption, and regulation of lobbying mainly by enhancing the legislative framework. An important pillar of the RRP is the set of audit and control measures, which are designed for the implementation and monitoring of the Plan, while ensuring that the systemic measures on

Recovery and Resilience Scoreboard

Thematic analysis



prevention of conflict of interests and beneficial owners are in place.

Estonia

Allocation: EUR 3.9 million. Relevant components 3

Estonia's RRP contains measures in the anti-money laundering domain. The objective of the reform is to strengthen the capacity of the Financial Intelligence Unit to identify money laundering schemes and channels at an early stage. The measure consists in establishing a Centre for Strategic Analysis within the Financial Intelligence Unit. This Centre is expected to allow for more operational and more efficient prevention and detection of money laundering and terrorist financing.

Finland

Allocation: EUR 19.8 million. Relevant components P2C2 and P2C3

In the anti-money laundering domain, the reform included in the Plan aims to facilitate the collection and exchange of information between the competent authorities for the prevention and detection of money-laundering, including through the automation of data processing and analysis. The bank and payment accounts control system are expected to be amended to increase the efficiency of the prevention, detection and prosecution of money-laundering and terrorist financing. The Finnish plan also includes measures aimed at enhancing the effectiveness and transparency of RRP reforms and investments by developing information systems, administration and audit.

France

Allocation: EUR 0. Relevant components: C7

The French plan contains a measure concerning control and audit procedures in the implementation of the RRF to ensure the reliability of the internal system and collected data.

Greece

Allocation: EUR 10.4 million. Relevant components 4,2

The Plan sets out measures to facilitate the fight against corruption, such as introducing legislative initiatives to combat corruption, strengthening the National Anti-Corruption Framework through targeted interventions in the fields of detection, prevention and raising awareness, enhancing the AML/CFT Framework and modernize institutional framework for state owned enterprises. The Plan also foresees the adoption of the new National Anti-Corruption Action Plan for the period 2022-2025, the implementation of the new law on Internal Controls in public administration, and the entry into force of a new legislation on asset declarations. In the anti-money laundering field, a new platform for the collection of statistical data will be launched and the special registry for the record-keeping of beneficial ownership information is to be improved. On state owned enterprises, the reform puts in place a modern legal framework for their operation and management in order to increase transparency.

Ireland

Allocation: EUR 0. Relevant components C3, C4

The measures in the Plan contribute to address the need to strengthen the anti-money laundering framework. This is for example through the review of the regulatory enforcement toolkit under the Criminal Justice (Money Laundering and Terrorist Financing) Act 2010 or through anti-money laundering / counter financing of terrorism Sectoral Risk Assessment of Trust or Company Service Providers (TCSPs).

Italy

Allocation: EUR 25 million. Relevant components M1C1, M5C1

The major investment in the anti-fraud field is to be injected into the digitization of the finance police. Another country-specific area featuring the fraud prevention objective is the fight against undeclared work. Finally, an anti-corruption dimension is strongly present in the intention to reform public procurement, for example by registering contracts in the anti-corruption database of the national anti-corruption

Recovery and Resilience Scoreboard

Thematic analysis



authority (ANAC) or by empowering ANAC to review the qualification of contracting authorities.

Latvia

Allocation: EUR 1.5 million. Relevant components C6

Under the anti-money laundering pillar, Latvia's objective is to modernise the process of identifying money laundering, investigating economic crimes and judicial proceedings and to establish anti-money laundering Innovation Hub. The country further plans to strengthen the capacity to investigate economic crime by investing in IT equipment and trainings and by adopting an action plan for strengthening the fight against economic crime. In the public administration, a competence management system will be set up and trainings are to be provided in the areas of ethics, anti-corruption, fraud, the shadow economy, conflict of interest and procurement. Public procurement is to undergo changes in order to increase the transparency and reduce corruption risks.

Lithuania

Allocation: EUR 0. Relevant components F1.4.3

In Lithuania's plan, fraud prevention is included in improvements to the tax compliance system by increasing the transparency of transactions with a view to reducing the size of the shadow economy. The aim of the measure is to limit the use of cash in certain economic sectors and/or for certain types of transactions. It is expected that the national legislation will be amended in this regard. Another fraud prevention measure aims at the creation of the repository system for audit and controls.

Luxembourg

Allocation: EUR 2.5 million. Relevant components 3C, AC

Luxembourg plans to implement a set of measures in the fight against money laundering and terrorist financing. This reform consists of four intertwined sub-measures and pursues three main objectives. First, to strengthen the framework for fighting money laundering and terrorist financing that is applicable to professionals providing trust and company services,

and investment services. The second objective consists in a better identification, assessment, and understanding of the risks associated with money laundering and terrorist financing. Third, to develop and improve the Luxembourg Business Register. The plan also introduces the measure on monitoring and implementation of the plan.

Malta

Allocation: EUR 0. Relevant components C6

The RRP tackles challenges identified in the governance framework to effectively detect and prosecute corruption including, inter alia, structural flaws that prevented the independent and effective functioning of the Maltese Permanent Commission Against Corruption through legal amendments, capacity building and strengthened operational procedures. The objective of this reform is to update the 2008 National Anti-Fraud and Corruption Strategy (NAFCS) and to implement some of the actions identified by the strategy. This is expected to increase the capacity, authority and public accountability of the State institutions entrusted with regulatory and control functions in relation to the management of public resources. With respect to money laundering, the objective of an extensive set of 82 actions is to ensure a sustainable, proactive, responsive and effective anti-money laundering framework. Lastly, the plan aims to increase the powers and capacity of the Asset Recovery Bureau to strengthen the role of law enforcement authorities in the fight against money laundering and financial crime.

Romania

Allocation: EUR 258.4 million. Relevant components C8, C14

The Romanian plan contains reforms to step up the fight against corruption by adopting and implementing the new anti-corruption strategy, and by strengthening the capacity of the prosecutor's office within the National Anti-Corruption Directorate, and of the Agency managing the seized assets. Moreover, Romania committed to strengthen integrity in the civil service and to ensure an effective system for declaring assets and interests. Investments shall support the development of the logistical (non-IT)

Recovery and Resilience Scoreboard

Thematic analysis



infrastructure needed to fight corruption. Reforms and investments that aim at streamlining the tax administration processes and at modernizing customs system will limit the scope for tax fraud.

Slovakia

Allocation: EUR 50.1 million. Relevant components C16

The key objectives of Slovakia's RRP in regard to the fight against corruption and money laundering are to increase the efficiency to detect and investigate corruption through organisational changes within the police and to improve the efficiency of financial investigations within the police, including criminal analytics. This includes also fighting against environmental crime, and stepping up capacities of anti-money laundering efforts. The reform plans to improve the legal framework for strengthening the integrity of the judiciary as well as for asset seizures in the context of criminal proceedings including the setting up of an office managing such assets and the competence of the police to verify their origin. It will also introduce a central accounts register. Investments are planned to provide for targeted tools and capacity building. In addition, steps are to be taken to support the newly established whistle-blower's office.

Spain

Allocation: EUR 0. Relevant components C23, C24, C27

The anti-fraud measures are predominantly in the field of combatting tax fraud. The reforms in the Plan include the adoption of an anti-fraud law against tax evasion and fraud, to modernize the Tax Agency, to increase and optimise the use IT systems in international cooperation to fight tax fraud and evasion, and to create a cooperative model by which the relations of the Tax Agency with its stakeholders such as large corporations, SMEs, self-employed and relevant associations will be improved. The Spanish plan also include measures to strengthen copyright and related rights.