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Press Release

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EU cohesion and agricultural spending: gaps in measures to detect, resolve and report on conflicts of interest

- *There is no overview of how much EU money is affected by this issue*
- *Sufficient measures to improve transparency and protect whistleblowers are not yet in place*

Although there is a framework in place to prevent and manage conflicts of interest in EU spending, there are loopholes in promoting transparency and in detecting situations at risk. This is what emerges from a new report by the European Court of Auditors, which particularly looked at how the issue is addressed in agricultural and cohesion policies, the biggest spending areas in the EU.

"*In the light of the revised legislation and recent cases, we wanted to verify whether the European Commission and member states adequately addressed conflicts of interest in the common agricultural policy and cohesion policy,*" said Pietro Russo, the ECA member who led the audit. "*We found that efforts were made to address the issue, but gaps remain. The reporting of cases should be improved, to give a clear overview of the amounts affected by conflicts of interest*"

The EU rules require all people involved in managing EU funds (at EU and national level) to avoid any conflict of interest arising from political or national affinity, economic interest or any other direct or indirect personal interest; when a perceived or actual conflict of interest is identified, the relevant authority must ensure that the person in question ceases all activity associated with the matter.

At national level, self-declarations are the most widely used method to prevent and manage such situations. However, declarations can prove unreliable, and cross-checking the information can sometimes be difficult because of insufficient administrative capacity, data protection rules, and general difficulties associated with achieving full transparency. The auditors found that, in the countries they examined (Germany, Hungary, Malta and Romania), self-declarations were not mandatory for members of government involved in making decisions about EU programmes and allocating related funding, even though regulations have explicitly required this since 2018. Declarations are widely used also at EU level, and some checks are performed, especially for sensitive functions. However, "revolving doors" (staff moving from official public roles to privatesector roles in the same area) intrinsically create a risk of conflicts of interest. This is why the auditors see a need for a more active management of such cases.

According to the auditors, national authorities place significant emphasis on detecting conflicts of interest in procurement, but do not always pay sufficient attention to certain red flags, such as the many procedures lacking proper competition (i.e. contracts negotiated without competitive tendering or applicants linked to other stakeholders involved in EU-funded projects). The auditors also note that measures for whistleblowers are not yet in place and many member states are late in transposing the rules for the protection of people who report breaches of EU law.

Publicly available sources (links to national and regional websites listing beneficiaries of EU agriculture and cohesion funding, the Commission's online platform Kohesio) currently contain no information on ultimate beneficiaries behind legal persons, which limits public scrutiny. Disclosing this information will become compulsory in the EU countries' management and control systems in the new programming period in cohesion (2021-2027). From 2023, beneficiaries of agricultural funding will have to provide information on groups of companies in which they participate.

The auditors also note that there is no publicly available information about the scale of conflicts of interest in shared management of EU spending, and no indicators measuring the frequency or magnitude of the issue. Not all irregularities are reported, for instance when the amount involved is below €10 000 or they are detected and corrected at national level before money is requested from the Commission.

Background information

Around half of EU spending is under shared management by the Commission and the Member States. This includes the two agricultural funds – the European Agricultural Guarantee Fund (EAGF) and the European Agricultural Fund for Rural Development (EAFRD) – and the three main cohesion funds: the European Regional Development Fund (ERDF), the European Social Fund (ESF) and the Cohesion Fund (CF). Under shared management, the Commission retains overall responsibility for the implementation of the budget while Member States must take effective and proportionate measures to prevent, detect and correct irregularities and national authorities are primarily responsible for identifying and addressing them at beneficiary level.

Special report 06/2023, "*Conflict of interest in EU cohesion and agricultural spending – Framework in place but gaps in transparency and detection measures*", is available on the ECA website.

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