



Conflict of interest

Experience of the European Commission

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Case 1 – Consultancy owned by spouse

- *Technical officer*
 - **Access to confidential information**
 - **Unauthorised contacts with bidders**
- *Offered consultancy to tenderer, through consultancy company of spouse*
- *2% of tender amount to be paid to company of spouse as charge for winning the tender*
- *External company declined offer and notified EU delegation*

Case 2 – Granting undue advantages

- *Officials in charge of procurement procedures*
 - **Accepted benefits in exchange for 'flexible' supervision**
 - **Close social relationships between staff and companies that won contract**

Case 3 – Project manager favouring a particular consultancy

- Staff member manipulated public procurement procedure
- Favouring private person with whom he/she was in a private relationship
- Staff member consistently promoted interest of private company rather than administration in management of the contract
- Tender affected by:
 - **Intentional splitting of contracts**
 - **Questionable delivery of services**

Three OLAF cases related to conflict of interest

- *Case 1: passive corruption, Staff Regulation duty of loyalty and confidentiality, behaviour adversely affecting position*
- *Case 2: passive corruption, Staff Regulation duty of loyalty, infringement rules on conflict of interest (also FR) and behaviour adversely affecting position*
- *Case 3: breach of duty of impartiality and loyalty, infringement of rules on conflict of interest and behaviour adversely affecting on the staff member's position*

Need to address Conflict of Interest

1. A disclosed CoI needs to be handled to prevent it from becoming an irregularity.
2. If not properly mitigated, objectives are at risk.
3. A CoI situation that endures, may prove detrimental to competition in the concerned market.
4. Unmanaged CoI situation may put financial interests and the reputation of the EU at risk.

Usefulness of conflict of interest varies per management mode

Direct management

- **Entire anti-fraud cycle**

Indirect management

- **Focus on prevention, detection and oversight**

Shared management

- **Focus on prevention, providing guidance to Member States**

Examples of red flags

- *unexplained or unusual favouritism of a particular contractor or seller;*
- *continued acceptance of high priced, low quality work etc;*
- *contracting employee fails to file or complete conflict of interest declaration;*
- *contracting employee declines promotion to a non-procurement position;*
- *contracting employee appears to conduct side business.*
- *close socialisation between a contracting employee and service or product provider;*
- *unexplained or sudden increase in wealth by the contracting employee;*
- *Beneficiary and procured sub-contractor share office space*

Statistics on 'ethics and integrity'

Work in progress

Fund	2015			2011-2015		
EAGF	26	180	14%	33	808	4%
EAFRD	44	232	19%	55	821	7%
Cohesion	22	522	4%	57	2.131	3%
Total	92	934	10%	145	3.760	4%

- Irregularities reported as fraudulent
- Ethics and integrity includes irregularities associated with conflict of interest and also corruption
- Data reported by Member States to the European Commission

Thank you for your attention

