

ECA: Blacklisting to Protect EU Funds Ineffective

Thomas Wahl



News

AUTHOR

Thomas Wahl

Senior Researcher
Max Planck Institute for the
Study of Crime, Security and
Law

Published in
2022, Vol. 17(2) *euCRIM* pp 105
– 106

ISSN: 1862-6947

<https://euCRIM.eu>



“Blacklisting” is not being used effectively to protect EU money from being paid out to untrustworthy individuals or entities, a report by the European Court of Auditors (ECA) says. [Special report 11/2022](#) entitled “Protecting the EU budget – Better use of blacklisting needed” was released on 23 May 2022.

“Blacklisting” (or exclusion/debarment) is a key tool for international organisations or national authorities to protect their finances. Financial arrangements are not concluded with individuals/entities/organisations who/which are on the list due to an “exclusion situation”, e.g. professional misconduct, fraud, corruption, money laundering, and unpaid taxes.

ECA’s audit assessed whether the EU’s Early Detection and Exclusion System (EDES) has been operating effectively in direct and indirect management. In addition, the ECA examined whether exclusion systems in selected EU Member States (Estonia, Italy, Poland, Portugal) have been working well.

The ECA found in the area of *direct management* that the EDES has a broad scope of application and a robust exclusion procedure, but there is a very low level of exclusions. Only two out of 448 counterparties named on the EU list at the end of 2020 were excluded due to fraud and corruption. The auditors believe that the main reasons are shortcomings in the arrangements for identifying counterparties in exclusion situations as well as legal and technical difficulties, such as the lack of access for Commission services to business registers and criminal records in the Member States. Furthermore, the Commission relies too much on declarations of honour given by the applicants instead of vetting them.

Regarding *indirect management* where the Commission implements EU spending with partners, such as the European Investment Bank, the report found that the partners have made only a small contribution to the number of exclusion cases registered in EDES. This can mainly be explained by the same reasons that apply for direct management.

In the area of *shared management* where day-to-day management of EU funds is under the responsibility of Member States’ administrations and where EDES does not apply, the auditors observed considerable differences in the approach to exclusion. None of the countries examined (Estonia, Italy, Poland, Portugal) had established a fully-fledged exclusion system for EU funds. As a result, EU funds are protected very unevenly. Moreover, data and tools available at the EU level, including data on fraud and irregularities, and the data-mining and risk-scoring tool, Arachne, are not well used by Member States’ authorities.

Therefore, the ECA recommends the following to the Commission:

- Extending the range of exclusion;
- Strengthening the implementation of the EDES;
- Improving the monitoring of the EDES under indirect management;
- Extending the EDES to shared management;
- Making better use of data and digital tools for exclusion purposes.

The findings are intended to support the ongoing revision of the EU's financial rules for a better control of the management of the European taxpayers' money.

About eucrim

eucrim is the leading journal which regularly informs about current developments in European criminal and "criministrative" law.

All news items are freely accessible at: <https://eucrim.eu/news/>

Stay informed by emailing to eucrim-subscribe@csl.mpg.de to receive alerts for new releases of issues.

The project is co-financed by the [Union Anti-Fraud Programme \(UAFP\)](#), managed by the [European Anti-Fraud Office \(OLAF\)](#).



**Co-funded by
the European Union**