

***BUDG, CONT, JURI exchange of views, 9 January 2017***

**Questions to Günther H. Oettinger**

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## I. Questions from the Committee on Budgets

No.	Question
1.	<p data-bbox="259 344 495 376"><b><u>"Budget galaxy"</u></b></p> <p data-bbox="259 400 2051 544"><i>What is your vision of the future evolution of the Union budget in the light of the growing use of guarantees, financial instruments, trust funds and facilities? How would you ensure that those instruments do not jeopardize the agreed policies and provide additionality? What measures will you undertake in order to safeguard the unity and transparency of the budget and the prerogatives of the budgetary authority?</i></p> <p data-bbox="259 584 2051 807">The current economic climate is characterised by sluggish economic growth, a high level of non-performing loans in the banking sector of certain Member States and reluctance by some public finance institutions and private investors to lend to the real economy and in particular to SMEs, whose investments are considered high risk. This happens despite a long period of very low levels of interest rates. In that context, there is scope for a form of public intervention that stimulates both the demand-side and the supply-side of investment projects. I firmly believe that public-private partnerships can be of great efficiency when it comes to stimulating investment. This is something I have experienced in my role as Commissioner for energy and as Commissioner for the digital economy.</p> <p data-bbox="259 839 2051 1023">I regard financial instruments rather positively, as filling a gap in the market, and complementing other budgetary tools. Financial instruments and guarantees provide leverage and crowd in other private and public resources, which is useful in times of scarce budgetary resources. But they also provide additionality and can help fund projects that the private sector would not otherwise finance. What is important is that the use of EU financial instrument targets real market gaps and needs and does not just replace other, already available funding sources.</p> <p data-bbox="259 1062 2051 1246">For some areas, grants are likely to remain the most suitable source of funding. However, in many other areas, blending or use of financial instruments and guarantees can be very effective. Working with the European Investment Bank Group, National Promotional Banks and professional fund managers is a good way to secure such additionality. The European Fund for Strategic Investments (EFSI) is a very good example of how the EU budget can be used in an efficient way: with scarce budgetary resources, the EFSI has already mobilised EUR 164 billion of investments in the EU economy, for SMEs and for infrastructure.</p> <p data-bbox="259 1286 2051 1358">There are sometimes discussions around the utility of grants versus financial instruments. Let us not be dogmatic about that. I think what matters is that we use all our resources efficiently and that the EU budget delivers results that are tangible for citizens.</p>

I will make sure that the unity and transparency of the budget as well as the prerogatives of the budgetary authority are safeguarded. Financial instruments are arguably more sophisticated than grants and are implemented off budget, through fiduciary accounts or guarantee funds. But they are all reported in the balance sheet of the Union, based on audited financial statements, and, as such, subject to the oversight by the European Court of Auditors and under the perimeter of the discharge procedure.

Guarantees, financial instruments, trust funds and facilities are used in full transparency and with full accountability towards the European Parliament and the Council. They are set-up in text adopted via the legislative procedure, hence with full participation by the EP and the Council; detailed reports on implementation are provided by the Commission and/or by our institutional partners at international level (in the case of financial instruments, three reports with detailed financial values are provided to the budgetary authority each year, including as an attachment to the draft budget); mid-term reviews are scheduled (and are ongoing in some cases) to allow the European Parliament and the Council to have an insight on implementation, both in terms of policy and financial implications, and express a legislative position on further development and use of these tools.

It is my firm intention to make sure that the reporting about these instruments is facilitated and meet the needs of its recipients, so that an informed budgetary decision making and enhanced democratic control are achieved.

The revision of the Financial Regulation is a major step forward in this direction as it proposes a more efficient reporting on financial instruments and, for the first time, it brings budgetary guarantees and financial assistance under the framework of the Financial Regulation. I look forward to work closely with the Committee on Budgets and the Committee on Budgetary Control, to ensure that all the concerns of the budgetary authority on these instruments are met.

As regards trust funds, the Commission has committed in the recent conciliation meeting on the Budget 2017, to regularly inform the budgetary authority about planned and ongoing Trust Funds' financing and operations, including the Member States' contributions. I intend therefore to present already in 2017, together with the Draft budget 2018, a working document to address the concerns raised and to propose measures for proper involvement of the European Parliament.

Finally, I would underline that financial instruments are only a tool at the service of EU policies. They do not jeopardise agreed policies and should not be seen as a threat for any policy..

Their use in future years will depend on the level of expectation, the ambitions placed on the EU budget and policies and whether they constitute an appropriate instrument to serve these policies.

### **Implementation delays / Payment forecast**

2. *Major delays in the implementation of the 2014-2020 programmes led to a drop in payment needs in 2016 and 2017. This is worrying for the programmes itself, and risks the reconstitution of a backlog of unpaid bills at the end of the MFF term. What measures will you take to counter the underimplementation trend? How do you plan to avoid the reconstitution of a payment backlog at the end of the MFF period? After repeated requests, the Commission finally provided a payment forecast until 2020 at the occasion of the MFF mid-term review/revision. Do you commit to update this payment forecast every year, so that the budgetary authority is provided sufficient information to take the right decisions?*

The level of payment appropriations in the 2014 budget allowed by the MFF ceiling and the flexibility instruments was clearly insufficient to cope with the high accumulated payment needs resulting from commitments made till then. This led to the building up of a very significant backlog of outstanding payment claims at the end of 2014 in particular for cohesion policy programmes (EUR 24.7 billion). Such an 'abnormal' backlog was significantly decreased in 2015 (EUR 8.2 billion) and was fully phased out in 2016.

The absorption of the backlog and the budgeting of additional appropriations in headings 3 and 4 to deal with the new needs in the area of migration and security was facilitated by the slower than expected launch of the new generation of programmes financed from the European Structural and Investment (ESI) Funds. This slow start resulted in a lower-than-expected level of payments for these funds in both 2016 and 2017 and consequently in significant margins under the payment ceilings in 2016 and 2017.

The Commission is undertaking all possible measures to help Member States with the implementation of ESI funds, such as closely monitoring two key elements likely to have an impact on implementation: designation of managing and certifying authorities and meeting ex-ante conditionalities. The delays are being addressed at high political level through targeted letters to concerned Member States from Commissioners for the ESI funds and Vice-President Katainen, respectively. The process of the designation of the responsible authorities in the Member States seems to be speeding up and action plans have been agreed with the MS for the fulfilment of the ex-ante conditionalities. Moreover in the context of the review/revision of the Financial Regulation and the Omnibus Regulation, the Commission put forward proposals to further simplify certain aspects of the ESI Funds and speed up implementation on the ground.

For the final years of this MFF, it is therefore expected that all programmes will reach cruising speed and that the take up of spending experienced in 2011-2013 will be repeated both for shared and directly managed programmes. For Heading 1b, the pre-2014 programmes should be closed in 2018 and 2019 and the new programmes should be fully on track. Consequently, the payments forecast shows payment levels above the annual ceilings in 2018-20.

My expectation is that the risk of once more accumulating a significant amount of abnormal backlog will be significantly mitigated by the new instrument allowing the recycling of unused payment appropriations from previous years through the Global Margin for Payments.

Based on the current assessment, no abnormal backlog is expected at the end of the MFF.

However, like for all forecasts there is an inherent uncertainty and it would be better to create a safety buffer. Such a buffer would be provided by two additional elements: (1) to advance the compensation for the use of the Contingency margin for payments mobilised in 2014 from the years 2018-2020 to 2017 and (2) to increase the capping of the Global Margin for Payments so that ceiling can increase even more in 2019-2020. Both elements are part of the broad agreement reached in Council on the MFF Midterm Review/Revision, on which I hope a final agreement will be reached soon.

The Commission will update regularly its forecasts, both for the short term – through the so-called Active Monitoring Forecast Budget Implementation report - and also for the mid-term to long term. I am committed to inform the European Parliament and the Council of our assessment of the sustainability of the existing ceilings and propose relevant measures if and as required.

### **Preparation of the post-2020 MFF**

**3. *According to Art.25 of the MFF regulation, the Commission shall present a proposal for a new multiannual financial framework before 1st January 2018:***

***• With reference to the above, could you provide details as to the expected timing of the presentation of Commission's legislative proposal for the next MFF, as well as on whether and how do you envisage engaging in a genuine and deep political dialogue with Parliament on its contents?***

***The first part of the current MFF clearly demonstrated the limits of the EU budget and showed that, in its current form, is not suited to tackle unprecedented challenges:***

***• What are, in your view, the lessons to be learned from the current period in order to deliver a comprehensive reform for the post-2020 period? What would be your proposals for a more agile, efficient and transparent EU budget?***

***In the framework of the current MFF revision, the Parliament already outlined a number of key priorities, such as adjustments to the duration of the MFF, a thorough reform of the own resources, a greater emphasis on the unity of the budget and need for more flexibility:***

***• What would be your concrete proposals in this sense?***

According to Article 25 of the multi-annual financial framework (MFF) regulation, the Commission shall present a proposal for a new multiannual financial framework before 1 January 2018. The Commission has yet to decide on the appropriate timing of its proposals but I can assure you that I will engage in a genuine and deep political dialogue with Parliament.

At this stage, I do not have all proposals ready but there are already some lessons that can be drawn. The current MFF was agreed in 2013 against the background of the economic crisis and its impact on public finances. Since then the European Union has been confronted with migration and security challenges of an unprecedented scale, which have pushed the EU budget to its limits and required that existing flexibility be used to the full. So, I would agree that more flexibility and adaptability has to be in-built in the next MFF.

The MFF will continue to provide a stable funding framework for programmes which contribute to the achievement of the EU's strategic long term objectives. But it will also be essential to find the right balance between medium term predictability and flexibility to respond to unforeseen circumstances. In the current MFF, about 80% of the EU budget is pre-allocated, which does not always allow the budget to react swiftly to changing needs. Therefore, I will look at ways to further increase the budget's flexibility, for instance by designing reserves which can be rapidly mobilised within and across the Union's main programmes.

Secondly, we need to look at the EU budget as a way to leverage the impact of Member States' actions, as well as a way to leverage private investment and address market failures. Some elements were mentioned in the Commission's Communication on the mid-term review/revision of 14 September 2016 already.

By encouraging Member States to design strategic plans and include EU funding into these, we are stimulating a virtuous circle, whereby national authorities better target their funding and generate positive externalities from the EU budget. Certainly, simplification and more standardisation can help further. We can also do more to foster cooperation between Member States in areas where economies of scale and/or externalities are significant. This will be paramount to address new challenges such as in the areas of migration, security and defence, possibly with new tools and by pooling sources from various levels.

Similarly, the EU budget, though relatively small in size, can play an important role as a leverage instrument in the way that even a small amount of money can have a significant impact by being attached to conditions that lead to changes in national policymaking. In particular, financial instruments, including new EFSI-type arrangements, can leverage private initiatives and stimulate market-based solutions that are complementary to those based on grants. I believe that these new instruments can play a greater role, notably with a view to infrastructure investments in energy, transport and telecommunications, and in relation to cohesion policy. However, clear criteria need to be established when to finance actions with grants and when with financial instruments.

More generally, we must do a better job at convincing our citizens of the value of EU membership. Parliament has a clear role to play there. We must take our budget closer to our citizens and ask ourselves –but also ask them-: how can we use EU funds to the greatest effect so as to make the most of every euro available? I am a strong supporter of the principles that underlie the EU Budget Focused on Results initiative. They remain valid and will provide important guidance for the proposals for the next MFF. I will also look at the assessment of

current mechanisms and programmes in terms of European added value, performance and result-orientation in delivering key EU policy priorities, increasing the budget's leverage effect and impact and simplification whilst ensuring sound financial management.

In the 2013 Interinstitutional Agreement on the 2014-2020 MFF, the Commission declared that it "intends to propose the budgetisation of the European Development Fund (EDF) as of 2021". I will carefully analyse the way forward on this matter, taking into account all relevant circumstances and considerations (see also answer to question 17 of the Committee on Budgetary Control).

There is a growing expectation that the EU should take greater responsibility for the EU security and defence. In this context, I will take a close look at the results of the Preparatory Action on Defence Research and to the possibilities which exist in this field in the context of the next MFF.

When we develop proposals for the next MFF it will also be the moment to examine the duration of the next MFF and how it aligns with the political cycles of the institutions. I will carefully consider options on how to reconcile the requirements and time needed for preparing and implementing EU funds, especially those under shared management, with the duration of the MFF.

I think a reformed MFF for the next period also needs to be a coherent reform of both the expenditure and the financing side. I will carefully consider the recommendations of the High-Level Group on Own Resources which will provide an important contribution for the preparation of the proposals for the next MFF (see also answer to question 4 of the Committee on Budgets)

Throughout the process of developing these proposals, I will engage in a process of broad consultation and I will listen carefully to the views expressed by the Parliament. I look forward to a fruitful cooperation with the Committee, based on trust and mutual respect. I will build on the cooperation with the European Parliament established by my predecessors as concerns the completion of the mid-term review/revision of the current multi-annual financial framework and the preparation of the next multi-annual financial framework.

**4. Own resources**

*The European Parliament attaches great importance to the reform of the system of own resources of the EU budget. Which follow-up do you intend to ensure to the ideas and recommendations put forward in the final report of the HLGOR? In particular, what could in your view be the best candidates for new own resources and what would be the criteria for selecting them? When will you propose a new system of own resources?*

Which follow-up to HLGOR report?

I fully subscribe to the idea that the system of own resources to finance the EU budget has the potential to play an improved role in supporting our policy aims and in helping reduce the tensions between the Member States and the institutions over EU finances. Having observed the own resources-, MFF- or even annual budget negotiations, one could get the impression that the EU budget is permanent 'bone of contention' where one Member State's gain always implies just a cost for everybody else and vice versa. So I look forward to the release of the Monti-report and I am hopeful that it will include some fresh and practical ideas how to transcend the tedious zero-sum mindset.

The Commission will assess the HLGOR report and its recommendations very thoroughly once it is published. The group's output has no formal legal status, but as you are fully aware, the HLGOR counted three prominent Commissioners among its members. Even though they were designated to act in a personal capacity, they participated actively to the work of the Group.

*What are the best candidates? What criteria to select them?*

The High Level Group's First Assessment already offered a plausible catalogue of criteria to assess the viability of own resources, or their basis. It is not so difficult to agree on a list of academically established or even common-sense requirements. The real challenge will be to reach a stage where Member States are actually willing to take decisions on the basis of any criteria other than: what's the best net outcome for my yearly treasury.

So I will strive to ensure that economic considerations like sectoral efficiency, co-benefits in terms of achieving our policy objectives, or overall coherence in our EU fiscal architecture will remain in the forefront of the discussion. I hope that the Monti report will deliver some innovative impetus in this direction too. And I hope that I can count on your close cooperation throughout 2017 in preparing the ground for such a rational, policy-driven debate.

The inter-parliamentary conference which took place in this house last September also discussed these issues. And it was an excellent move to involve national parliaments in the debate at an early stage. I understand that the discussion will continue during the upcoming European Semester Week; and in several national chambers and Budget- and European Affairs Committees as well. This should build up some momentum in view of a reform that is meaningful for EU citizens, so that they understand what the EU does for them better.

*Timing?*

The Commission will first analyse in depth the report of the HLGOR, as foreseen in the Joint Declaration on own resources of November 2013. Unlike for the MFF regulation, there is no legally binding date for the proposal of a new Own Resources Decision (ORD). And the Decision in place does not have an expiry date. But of course traditionally, the ORD covers the same time span as the MFF. And in as far



as the revenue side is an important building block for the overall financial package for the duration of the next financial programming period, the next revenue proposals should be timely enough so that they can be negotiated in conjunction with the future MFF. So that negotiators have all the elements they need to come to a successful outcome.

**EU budget implementation through financial instruments / EIB financial activities**

5. *ECA Special Report 19/2016 on implementing the EU budget through financial instruments and lessons to be learnt from the 2007-2013 programmes pointed to particularly low disbursement rates for financial instruments managed by the EIB group (43 % as compared to 60 % for the instruments managed by other fund managers). How would you explain this?*

*The report also points to higher than expected implementation costs for financial instruments during 2007-2013. How precisely do you think the EIB can help improve cost effectiveness of EU budget implementation through financial instruments? Generally, could you describe your personal vision of the specific role of the EIB, as the only bank incorporated through the treaties?*

In its replies to the ECA Special Report 19/2016, the Commission has provided background information explaining the low disbursement rates for financial instruments managed by the EIB group. For the investments in SMEs, a further significant increase is expected until the end of the eligibility period. For the investments in urban development funds, the infrastructure nature of projects implies more complex permit processes, State-aid and work advancement payments.

On further improvements, it is worth recalling that the principle of performance based fees is already enshrined in the Financial Regulation. This principle is applied in the financial and administrative framework agreement (FAFA) signed by the Commission with the EIB, which is the basis for all the delegation agreements signed with the EIB under the current programming period 2014-2020. The mid-term evaluations of programmes, foreseen to be carried out in 2017, should provide an assessment of the cost-effectiveness of the implementation mode. I will ask my services to pay particular attention to this piece of information and take it into account for the design of the new generation of programmes for the next multiannual financial framework.

More generally, I believe the EIB is an essential partner for the implementation of the EU budget through innovative financial instruments and budgetary guarantees. Its alignment with the EU policies, its financial solidity and expertise, as well as its wide coverage of all Member States, makes of it a unique financial institution. I clearly intend to work closely with the EIB for the design of innovative ways to leverage the EU budget. I already did this in my role as Commissioner for the Digital Economy, through the setting up of the Connecting Europe Broadband Fund, for instance. At the same time, I will make sure that any concern of the European Parliament on accountability and reporting of the EIB is duly addressed, as I am sure it is also the objective the EIB itself. The EIB-Group is of course also the EU's

strategic partner in the European Fund for Strategic Investments (EFSI) and fully accountable under that framework.

**6. Simplification**

*In the framework of the current MFF period, Member States face increased difficulties in consuming EU Funds, pushing the Commission to propose a revision of the Financial Regulation and of several other regulations. One of the main objectives is simplification. However, the extreme complexity for beneficiaries to make use of those funds is one of the main problems the European Union has to face, in terms of budgetary efficiency, credibility and image. This problem goes beyond the current MFF period and is one of the key issues for the future MFF period. What would be your concrete proposals in this sense?*

My intention is to complete the on-going simplification exercise and to go as far as possible for the future MFF period. The European Commission has taken simplification measures for the beneficiaries of EU programmes, which is worth recalling.

*Legislative Activities in 2012*

A step towards more coherent and simpler financial rules was achieved in 2012. The Commission tabled proposals for the programmes covered by the MFF 2014-2020 which:

- reduced the number of programmes and instruments
- grouped them under a single framework with common rules
- simplified procedures for application and declaration of costs by final beneficiaries
- facilitated the deployment of innovative financial instruments
- enabled EU Trust-Funds and
- improved the cost-efficiency of controls.

The adoption of sectorial basic acts was constantly monitored by DG BUDG, through the Simplification Scoreboard, which highlighted some major achievements. However, in most cases simplification tools were introduced as *options* (and not made compulsory) which could be used by Commission services (in direct or indirect management) or by Member States (in shared management).

### *Revision of the Financial Regulation/Sectorial legal bases ("Omnibus") in 2016*

The experience gained since 2014 and by the work of the High Level Group of Independent Experts on Monitoring Simplification for Beneficiaries of the European Structural and Investment Funds showed scope for further simplification. The public consultation on the revision of the Financial Regulation also showed stakeholders' clear expectations in the area. On this basis, the Commission made a proposal in September 2016 (COM(2016)605).

This current proposal for the revision of the Financial Regulation constitutes the "qualitative" part of the MFF mid-term review aiming at simpler and more flexible financial rules. It constitutes one of the key elements of the Commission's initiative for a Budget Focused on Results (BFOR) and abolishes the Commission's Rules of Application for the Financial Regulation. Instead of these two texts, there shall only be one: the Financial Regulation. This leads to a substantial cut in EU financial rules of 25% compared to the previous rules.

By putting changes to the Financial Regulation and to 15 sectorial acts into a *single* act, the Commission seeks a coherent and speedy negotiation/adoption by the legislator with political agreement by mid-2017 for an entry into force on 1/1/2018 to impact the three last years of the current MFF.

The 2016 proposal contains simplifications in the financial regulation for grant beneficiaries, layers of control, combination of funds and use of financial instruments. The combination of various EU funds is a good way of putting the budget to better use and ensure that we exploit possible synergies to the maximum.

The proposal to review the Financial Regulation also comprises corresponding changes to the sectorial financial rules set out in 15 legislative acts concerning multiannual programmes ("omnibus"). The current proposals to change rules for European Structural and Investment Funds focus on simpler and more flexible rules. They have taken up suggestions from the High Level Group on simplification of ESI Funds. Here is a short overview of the simplification proposals made:

#### **1. Reduce administrative burden for beneficiaries**

Easier use of simplified cost options (SCO)

- Removal of upper limit for lump sums
- Compulsory use of simplified cost options for ERDF and ESF where public support does not exceed EUR 100.000 for operations not implemented exclusively through public procurement
- Extension of flat rate use
- Use of draft budgets as an additional methodology to determine simplified costs where public support does not exceed EUR 100.000, Art. 67 (5) (a) CPR
- clarification of requirements for management verifications when SCOs are used

- Possibility for financing based on fulfilment of conditions related to progress in implementation
- Possibility for COM to adopt delegated acts for definition of SCOs and related methods, Art. 67 (5) CPR

#### Joint action plans

- Lower requirements for minimum public expenditure allocated to a Joint Action Plan (EUR 5 mio. instead of EUR 10 mio.) and for the share of public support of OP (5 % instead of 20%)
- No minimum requirements for first Joint Action Plan submitted under the Investment for Growth and jobs and ETC goals
- Lighter content requirements
- No need for Joint Action Plan steering committee to be distinct from programme monitoring committee

#### 2. Increased synergies

ESIF - EFSI combination, explicit provisions allowing for a pro rata attribution of expenditure from an ESI Fund when combined with other EU instruments;

#### 3. More effective use of financial instruments (Common Provisions Regulation CPR - modifications)

The proposal provides for direct award to publicly owned banks or institutions operating under public mandate to pursue economic development and some other changes aiming to streamline or clarify financial instrument-related provisions (audit, financial corrections, negative interest).

The Commission proposal broadens and enhances the possibilities for combinations between different forms of EU funding, in particular EFSI, with EU financial instruments managed directly or indirectly by the Commission Union budget and European Structural and Investment funds, managed by Member States.

#### 4. Simpler and leaner EU administration

- Provision of legal certainty on the use of electronic documents (linked to "e-cohesion")
- Additional possibility to determine the potential net revenue of an operation based on a flat rate established at the level of the Member State for revenue generating operations. Furthermore, an additional possibility to decrease the co-financing rate in order to address revenue generation is now proposed to be available throughout the programming period and not only at the moment of programme adoption;
- In order to encourage Member States to make use of major projects appraisal by independent experts, it is proposed to allow for the declaration of expenditure to be submitted to the Commission already at an earlier stage;

- Removal of the reference to small scale in relation to the possibility for financing of cultural and sustainable tourism infrastructure.

Since there is a broad consensus with the EP and the Council that simplification of the financial rules is necessary, there is a unique opportunity to adopt the ambitious Commission proposal.

#### Internal rationalisation at the level of the Commission services

As part of the Budget Focussed on Results Strategy, the Commission services are also continuously identifying and implementing measures which can create simplification for beneficiaries:

- best practices in terms of control cost-effectiveness;
- elements which may create complexity in the work environment;
- further simplify internal procedures.

#### EU funding approach for the next MFF - Further simplification in the next generation of programmes

The 2016 simplification proposals for the Financial Regulation and sectoral rules as described above are technical and do not open the political debate about the basic funding approach for the next MFF.

There is potential for further simplification in the preparation of the legal bases for the next MFF, namely by ensuring further harmonisation of the rules applicable to the different programmes.

Further simplification of EU funding will clearly have to be a key part of the legislative proposals for the next MFF. However, it is still too early to go into detail because a careful look at the various inputs from stakeholders, Member States, the Committee of the Regions, the Court of Auditors etc but also ongoing studies has to be taken.

At this stage, the following areas would appear important to work on for the next generation of EU funds:

- Take the "Budget focussed on results" approach further and look at the best mechanisms for delivering EU support to beneficiaries. For example, can we do more through output-based payments? Is the current attribution of tasks between the different EU funds the best way of delivery, taking into account new challenges?
- Further centralise the financial rules applicable to shared management (mainly the European Structural and Investment funds).
- Ensure a single audit approach.
- Speed up certification of spending bodies.
- Have a single set of rules for a given kind of EU support, e.g. financial instruments in order to avoid the duplication of rules.

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|--|---|
|  | <ul style="list-style-type: none"><li>• Increase standardisation in terms of costs, and types of projects.</li><li>• For structural and investment funds, find ways to facilitate respecting state aid rules.</li></ul> |
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## II. Questions from the Committee on Budgetary Control

No.	Question
<b><u>Follow-up on the commitments taken by the Commission</u></b>	
1.	<p><i>At the occasion of the public hearing held on 2 October 2014 by the Committees on budget , budgetary control and legal affairs of the European Parliament, Commission Vice-president-designate Kristalina Georgieva positively reacted to some concerns and questions voiced by CONT members in particular as regards the following issues: full transparency in the delivery of EU funds, the need to increase the responsibilities of Member States in the implementation of the EU Budget, the improvement of OLAF performance and how to ensure a smooth relationship with its Supervisory Committee, the fight against fraud, corruption and tax evasion and the support to the efforts made by the Member States to tackle the fight against organised crime, European added value of EU public investments, the efficiency of EU agencies, how to better evaluate and report on the financial performance of the Union – including the follow-up, how best to control the compliance with financial rules and monitor the achievements of political goals, the use of National Declarations, how to cut wasteful spending, the harmful effect of European investment in terms of relocation, how to shorten the response time of irregularities- improve and implement corrective measures, how to improve the Commission and Eurostat's verification of Member States' GNI data and the protection of Traditional Own Resources in terms of fraud – especially regarding the informal/ grey economy. To which extent does Mr Oettinger intend to honour the commitments taken by his predecessor?</i></p> <p>I will ensure full continuity as regards the implementation of requests made by the discharge authority and accepted by the Commission in previous years.</p> <p>The Commission has already had several opportunities since 2014 to report to the Committee on Budgetary Control on progress made and actions taken to address the European Parliament's concerns.</p> <p>Reporting on progress made was done through the annual reports from the Commission to the European Parliament and the Council on the follow-up to the discharge (cf. the report COM(2016)674final regarding the follow-up to the discharge for the 2014 financial year). The Commission has already taken concrete steps to implement the vast majority of requests the European Parliament made in the context of the 2014 discharge procedure: new actions for 88 requests and ongoing actions for 227 of them.</p>

This was also done through the discharge hearings and other exchanges of views in the European Parliament, replies to written questions and other communications from both VP Georgieva and other Commissioners for their respective portfolios, either in the context of the discharge procedure or on an ad hoc basis.

Thanks to the good cooperation with the Committee on Budgetary Control, the Commission has achieved important results over the last years, for instance:

- On transparency, the Commission took important steps this year in publishing the so-called Integrated Financial Reporting Package in July. It provides key information on both performance and compliance issues;
- On performance and value for money, this package includes the Annual Management and Performance Report (AMPR) which provides information on the progress of the 2014-2020 MFF programmes and the latest available evidence on the results of the 2007-2013 MFF programmes. The Commission will continue its work on the improvement of the quality of performance;
- On compliance, on top of the clean bill of health for the EU annual accounts for the 9<sup>th</sup> year in a row, the reduction of the level of error reported by the ECA, from 4.4% in its 2014 Annual report to 3.8% in its 2015 Annual report, is a positive message to the stakeholders, and indicates that efforts by the Commission and the Member States to reduce the level of error bear fruit;
- Regarding OLAF performance, the office has undergone a major reorganisation since 2012 aimed at strengthening its independent investigative performance and ensuring that a maximum of resources are deployed in the active fight against fraud. The investigative performance of OLAF has significantly improved in the last years, with the Office processing cases faster, as well as opening and closing more investigations than ever before;
- The Commission has already taken actions to ensure a smooth relationship between OLAF and the Supervisory Committee, notably by proposing an amendment in 2016 of Regulation No 883/2013 to further guarantee the independence of the Supervisory Committee Secretariat;
- The establishment of a European Public Prosecutor's Office (EPPO), as well as the adoption of the draft Directive on the fight against fraud by means of criminal law (PIF Directive), remain key priorities in the Commission's strategy for the strengthening of criminal justice and the fight against fraud.

The actions listed above are not exhaustive. More generally, on the preventive side, simplification in the implementation of EU funds is a major element of the "EU budget focused on results" initiative. The legislation for the 2014-2020 programming period offers a broad range of opportunities for simplification and reduced administrative burden. The Commission also implements an active policy of interruption and suspension of payments whenever necessary.

On the corrective side, the total amount of financial corrections and recoveries implemented amounted to almost EUR 3.9 billion in 2015, which is equivalent to 2.7% of payments made. The Commission also presented for the first time at the end of financial year 2015 an



outlook of the amounts at risk at closure, i.e. a consolidated estimation of errors remaining after all corrective measures have been implemented at the end of the programmes. This approach reflects the fact that the control cycle is multiannual and stretches to more than one year of funding and implementation of projects. The amount at risk closure in 2015 was between 0.8% and 1.3% for the different policy areas.

I am fully committed -as are my fellow Commissioners- to pursue this good cooperation and implement the actions that have been agreed upon in the context of previous years' discharge procedure.

2. ***Vice-President Kristalina Georgieva started her work on Budget Focused on Results (BFOR) in the beginning of her Vice-Presidency. The European Parliament and especially the Committee on Budgetary Control has supported her efforts strongly and has been looking forward to a move towards a more performance-based use of EU's budget. Do you think we need more emphasis on performance and will you, as a Commissioner responsible of EU's budget, continue the efforts of Vice-President Georgieva to make concrete steps for Performance-based budgeting?***

I am a strong supporter of the Budget Focused on Results (BFOR) initiative. More than ever, the value of being a member of our Union is challenged. The positive impact of our EU budget on people and communities is a very concrete way to demonstrate the value of our institutions. Limited public resources coupled with ever more frequent and sizeable emergencies have inevitably led to a need for stronger performance. Over the past couple of years, EU Budget Focused on Results has exploited the possibilities offered by the EU budget performance framework introduced with the current Multiannual Financial Framework to strengthen performance whilst ensuring continued compliance.

Progress in the area of performance-based budgeting has been marked with gradual but significant improvements. Comparison to international practices shows that the EU budget performance system is highly developed and aligned with international best practices: it is designed to inform the budgetary authority regarding performance and results delivered on a regular basis. It also includes direct performance budgeting elements where appropriate, such as the performance reserve in the Cohesion funds. In order to enhance the performance information presented to Parliament, performance reporting was streamlined and simplified this year. The Annual Management and Performance Report for the EU Budget was introduced as part of the Integrated Financial Reporting Package published in 2016 for the first time. Next to increased transparency and accountability, it offers better information on the results delivered with the EU budget.

Equally important on the BFOR agenda, compliance has improved thanks to effective controls. This has led to a lower rate of estimated error in the latest annual report by the European Court of Auditors. The Commission complements this information with an estimate of

control effectiveness over the lifespan of programmes with the amount at risk at closure indicator.

Third aspect has to do with continued simplification efforts. Simpler rules enhance both control and programme effectiveness. The Multiannual Financial Framework review presented by the Commission in 2016 was prepared based on the principles of BFOR, and so was the Budget 2017 proposal which was informed by the performance of programmes across the budgetary headings.

Lastly, a performance-informed EU budget entails not only accountability to the budgetary authority, but also to a wider range of stakeholders and most importantly, European taxpayers. BFOR ensured that performance information is tailored to stakeholders. This is why I intend to continue the practice of annual BFOR conferences. I have experienced the importance of bringing stakeholders together in my current role as Commissioner for the digital economy and society, and how this can enhance the role of the EU institutions. My impression is that the BFOR conferences have deepened the political dialogue on the EU budget's performance, and were an important element in introducing improvements and presenting the Multiannual Financial Framework review. The expert meetings on performance-based budgeting organised with representatives of the European institutions have brought valuable expert analysis to the BFOR exercise, deepening the shared knowledge base on performance best practices and creating a virtual cycle of discipline, accountability, and trust-building. Finally, the 'EU Results' app has introduced accessible information on the results achieved with the EU budget for the wider public by providing insight into a great number of projects across the Union.

I am committed to continue BFOR efforts in the area of performance-based budgeting with concrete steps addressing the complexity of the performance framework in place and optimising the use of performance information. The experience over the past two years of the BFOR initiative will provide valuable lessons learned for the preparation of the new Multiannual Financial Framework, including performance budgeting for the new generation of programmes. Focusing on the areas where we spend, the way in which the EU budget is invested and its performance assessed, and how we communicate on the results achieved will remain relevant guiding principles in this context.

**Reliability of the data communicated by the Member States**

3. *The European Court of Auditors has remarked in several of their annual reports that there would be room for improvement in the accuracy of the data that the Member States deliver to the Commission in regard shared management. Do you think that the Commission could do more to improve this situation? How will you, as a Commissioner responsible for budget, address this issue?*

The data reported by Member States to the Commission under shared management reflect the results of controls and audits carried out at national level. The data communicated includes all detected errors. The independent audit authorities and certification bodies report also on the weaknesses in the management and control systems. Under its supervisory role, the Commission is constantly and continuously working with Member States to help them improving the effectiveness of their control systems. This can also be done through action plans

which are closely monitored by the Commission services. Issues which are not remedied at an upstream stage through these preventive mechanisms can then be dealt with through the corrective measures at the disposal of the Commission to protect the EU Budget (interruptions and suspensions of payments, financial corrections).

The Commission will thus continue to provide guidance, advice and support to Member States in their efforts to improve and consolidate their systems, including, under shared management, the validation by audit authorities/certification bodies of data reported to the Commission.

All these issues have also been addressed in the context of the discharge procedure with the respective Commissioners who, I am confident, have provided all requested clarifications.

I will ensure that the Directorate-General for Budget will continue to provide guidance as to how DGs shall report on Member States' data in the Annual Activity Reports in a reliable and consistent manner, including the necessary adjustments whenever appropriate.

#### **Improvement of financial management in cohesion**

4. *Commissioner, controlling Cohesion Policy expenditures should not be limited only to identifying and sanctioning irregularities. It should be used for collecting information about reasons for irregularities and also for collecting data on where good practices are established. Thus, what solutions would you suggest, especially in cases of non-fraudulent irregularities, in order to control and implement cohesion policy funds?*

I agree that the Commission should not only ensure that the EU budget is protected via corrective measures but also through preventive actions.

In the area of Cohesion policy, the Commission has already taken such preventive actions avoiding errors from occurring.

It provided Member States with extensive guidance, exchange of good practices, trainings and seminars as well as new tools such as control checklists that are systemically shared with the national audit authorities and IT data-mining tool (called Arachne) which helps to prevent and detect fraud risks, in particular corruption in public procurement.

Particular focus has been given to public procurement and compliance with state aid rules, for which Action Plans were launched involving the different DGs to address the causes of the errors. The Commission has also strongly promoted the use of Simplified Cost Options which

are much less prone to error.

Concerning the help provided to Member States to improve their administrative capacity, the Commission services put in place targeted actions. The actions already implemented or ongoing include notably:

- A peer-to-peer exchange of expertise between authorities managing the programmes ('TAIEX REGIO PEER 2 PEER');
- Strategic training programme for managing, certifying and audit authorities and Intermediate bodies on the implementation of the new Regulations;
- A Competency Framework for efficient management and implementation of ERDF and Cohesion Fund;
- Specific workshops in most concerned Member States on implementation of effective and proportionate anti-fraud/anti-corruption measures to increase awareness of risks and acceptance that preventive measures are possible;
- Pilot Integrity Pacts in cooperation with Transparency International.

The joint efforts of the Commission and Member States are leading to results. In its 2015 Annual report, the European Court of Auditors noted that its audits since 2009 have shown that the level of error for the 2007-2013 programming period is significantly lower than for the 2000-2006 programming period.

Efforts to further reduce the level of error right from the start will continue for the 2014-2020 programming period with the introduction of a new and improved assurance model, creating stronger incentives for Member States to prevent and correct errors. For example, the Commission has to impose net financial corrections in cases where national authorities failed to identify serious deficiencies in the management and control system. The Commission will continue supporting Member States in their implementation of these new systems and will continue promoting simplification measures such as Simplified Cost Options.

**Recent statements by Mr Oettinger**

5. *On 26 October 2016, Commissioner Oettinger made a speech in Hamburg, in which he made explicitly or implicitly discriminatory remarks in respect of Chinese, women and LGBTI's. The future portfolio will include Human Resources. Could the Commissioner explain how he is going to give a boost to diversity in respect of human resources, in particular relating to ethnic minorities, women and LGBTI's and regain his credibility in this respect?*

I very much regret that the words used during my speech may have hurt people. This was not my intention. My firm belief is that diversity is a strength and a core value at the heart of the European project. Respecting people that are different and learning how diversity can enrich our perspectives is an experience that I have made constantly in my political career, and especially in the European institutions.

Public administrations everywhere in Europe need to be more in tune with the people they serve, reflecting more the diverse, complex society we live in. I am convinced that the European Commission should be no exception. Just as society constantly develops, so must the way we work at the Commission. It is a matter of priority for me that our workforce is diverse and flexible and that we make the most of all of our talents, exploiting everyone's potential.

Since 1988, the Commission has issued action programmes to ensure equal opportunities, initially focussing in particular on achieving gender diversity. In this context, the European Commission has made significant progress. There are now many more women in our workforce, currently representing around 55% of the total workforce.

But my position is that the Commission has a special responsibility, as initiator and guardian of the legislation which aims to ensure equal opportunities for European citizens and I welcome the attention of the Parliament on those issues. My intention is to make sure that the Commission is among the best performers as regards diversity and inclusion.

I intend to present in the coming months a Communication on Diversity and Inclusion, setting out the main actions the European Commission intends to implement to foster diversity and inclusion amongst its staff up to the year 2019. Not only will I ensure that the Communication is swiftly finalised, but I will also make sure that the proposed measures, once in force, are fully implemented.

Put simply, a diverse and inclusive working environment for our staff means better results for the Commission. It is not only against the Staff Regulations but it also makes no business sense whatsoever to make judgements based not on an applicant's or staff member's talents and merits, but on their gender, sexual orientations, race, colour, ethnic or social origin and so on. Fostering diversity and creating this kind of inclusive environment are therefore essential tools if we are to attract the best workers and provide the best service. And indeed, let us not forget who our main stakeholders are - the European citizens whom we represent and whose trust and confidence we must strive to

	<p>retain. By mirroring the diversity of Europe and working to our full potential, our citizens will relate to the work we carry out and we will be better equipped to understand and respond to everyone's needs.</p> <p>I want to go well beyond mere compliance and I am committed to make the values of diversity and inclusion a full part of the Commission's culture. We should strive for a work culture in which no one feels the need to conceal any element of their identity for fear of discrimination. Awareness-raising about diversity and inclusion is essential. But so is redress and I will support systematic follow-up vis-à-vis cases of discrimination, inequality or intolerance.</p> <p>Achieving the target, set out at the beginning of the mandate by the President, of 40% female representation in management by 2019 will also be my priority. We have already made good progress so far, especially with respect to the representation of women in senior management. But I am well aware that there is still much to achieve before we reach the 40% target. I plan to closely monitor progress towards the 40% target and make sure that all the Commission's services effectively contribute towards that aim. I can also see the need for actions to make the most of available female talent and increase the number of female candidates applying to senior and middle management functions. Such actions will include, for example, training courses, mentoring schemes and flexible working schemes.</p>
6.	<p><b><i>Anti-discrimination and equality are some of the core European values on which the European Union is founded. The European Commission needs to uphold and defend these values to ensure the credibility and legitimacy of the European Union as a whole that is throughout all its work, as well as in its internal management and human resource policies. The protection of vulnerable groups against hatred, discrimination and violence within the European Commission is key.</i></b></p> <p><b><i>How is the Commission intending to ensure in the future through the code of conduct and what tools are in place for the Commission to sanction Commissioners or staff that engage in racist or hate speech including homophobic and transphobic hate? How does the Commission intend to ensure that Commissioners and European Commission staff uphold European values such as those in the Charter of Fundamental Rights?</i></b></p> <p><b><i>Will the Commission, when appointing the Commissioner responsible for Human Resources, make a clear commitment to adopt internal staff policies for the European Commission that fully ensure non-discrimination based on all grounds set out in the EU treaties and case law, promote diversity, and in this way create a truly inclusive workplace for everyone, including LGBTI people?</i></b></p> <p><b><i>How does the European Commission intend to reform its internal staff policies to ensure fully inclusive workplaces for</i></b></p>

***everyone, including LGBTI people?***

I fully agree with the view that anti-discrimination and equality are some of the core European values on which the European Union is founded. The Commission has already in place a legal framework that protects these values but my intention is to do more. Commissioners are committed to uphold European values. At the outset of their mandate, Commissioners solemnly swear, before the Court of Justice, to respect the EU Treaties and the Charter of Fundamental Rights of the EU, to carry out their responsibilities in complete independence and in the general interest of the Union and to respect their obligations during and after their term of office. President Juncker has repeatedly recalled that there is a strong political commitment from the whole College to ensure that the Charter is respected and complied with in all EU policies for which the Commission is responsible

As regards possible sanctions related to the duties of Commissioners it is worth noting that the legal framework in place already allows to tackle any situation:

- Article 17(6) of the TEU, as well as section 2.1 of the Code of Conduct for Commissioners, foresee that a Member of the Commission shall resign if the President so requests. In addition, if the EP asks the President of the Commission to withdraw confidence in an individual member of the Commission, in accordance with the framework Agreement, the President shall either request the resignation or explain his refusal to do so.
- Articles 245 and 247 of the TFEU foresee that, in the event of a serious breach, the Court of Justice may, on application by the Council or the Commission, rule that a Commissioner be compulsorily retired or deprived of his right to a pension or other benefits.
- The Commission may state publicly its disapproval of minor infringements not likely to lead to be submitted to the Court of Justice.

The Commission operates according to a clear legal framework defined by its Staff Regulation and is subject to the scrutiny of the Court of Justice. It has the obligation to fully implement the provisions of the United Nations Convention on the Rights of Persons with Disabilities.

The fundamental values of non-discrimination are enshrined in the Treaty on the Functioning of the European Union, in the Charter of Fundamental Rights, and in the Staff Regulations. In particular, Article 10 TFEU obliges the Commission to mainstream non-discrimination in all policies, including in its own Human Resources policy.

However, it is my intention that this legal framework should be complemented by internal policies detailing concretely how the values of equal opportunities and non-discrimination, which are at the core of the European project, should apply internally. I plan therefore the

adoption of a Communication on Diversity and Inclusion.

In addition to the regulatory measures enshrined in the Communication, strict compliance with the principle of non-discrimination will also be ensured via a series of awareness raising events and through a systematic follow-up vis-à-vis cases of discrimination, inequality or intolerance.

Commissioners and staff members alike enjoy the right to the freedom of expression. Naturally, the public interest requires that that right is subject to certain legitimate restrictions, linked to the duties of loyalty, impartiality and discretion.

Racist or hate speech including homophobic and transphobic hate must be firmly condemned and combatted. The Commission should not only raise awareness amongst staff of the need to comply with their ethical obligations and exert prevention, through continuous information and awareness-raising campaigns. It should also be backed by credible and deterrent disciplinary action should staff fail to abide by the rules.

For Commissioners, their obligations and the possibility of sanctions are set out in the Treaty (Articles 245 and 247 TFEU), and clarified in the Code of Conduct for Commissioners. For staff members, the Staff Regulations provide for a wide range of possible sanctions for misconduct, from an administrative warning to downgrading and, for the most serious cases, dismissal and/or a reduction of pension rights. The Commission has a dedicated office (the Investigation and Disciplinary Office) for dealing with cases where staff appears to have breached their obligations. Sanctions are imposed following procedures that are thorough and that ensure due respect for the rights of defence.

As regards LGBTI staff members, the principle of non-discrimination fully applies to them. The legal framework currently in place is in full compliance with that principle, in its terms as well as in the way it is applied. As already mentioned, the Commission's working environment should be truly inclusive and no one should feel the need to conceal any element of their identity for fear of discrimination. I am fully aware of the concerns of the LGBTI staff members and I am fully committed to listen to them and support them, notably through regular exchanges with the LGBTI associations.



<p>7.</p>	<p><b><i>Given the current context of intense negotiations with China including several delicate and sensitive dossiers, do you consider the borderline xenophobic comments directed at the Chinese negotiators by a European Commissioner to be a constructive contribution to the EU's negotiation position?</i></b></p> <p>Negotiations with China have certainly not been affected by any of my declarations. Let me underline that I regret very much that my speech gave rise to the impression of disrespect for the people of China.</p> <p>Throughout my mandate in the Commission and before in my various functions in Baden-Württemberg, I have shown great interest in the developments of the economy of the People's Republic of China and deep respect for the dynamics of the Chinese economy. I had various fruitful interactions with representatives of the People's Republic of China as well as Chinese companies, including visits to Beijing. I actively contributed to the EU-China dialogue and always underlined that China is a partner and a serious competitor. The negotiations with China have to bring positive results for both sides. That is why I called for a level playing field when it comes to foreign investments: Chinese companies should be able to buy European ones and European companies should be able to buy Chinese ones.</p>
<p>8.</p>	<p><b><i>Did you send an official letter of apology to the Head of the Chinese Mission to the EU concerning this incident and so, could CONT members have sight of this document?</i></b></p> <p>I regretted that the words I used during my speech had created bad feelings and may even have hurt people. This was not my intention and I apologized. I did not send any official letters.</p>
<p><b><u>Relations with lobbies</u></b></p>	

9. ***On 18 May 2016, Commissioner Oettinger flew in a private jet of Klaus Mangold, a German businessman and lobbyist, from Brussels to Budapest. Although the President of the Commission stated that the flight was not a meeting that fell under EU ethics and transparency rules, could the Commissioner explain how he sees this himself, especially since it is unlikely that any conversation during the two hours spent during the trip with Mr. Mangold, were not related to the Commission's work. Could you specify the paragraph of the Code of Conduct which excludes joint travels with unregistered lobbyists from the category of "meeting"? Also could you give us a comprehensive list of all the other interferences with lobbyists which are not regarded as "meeting" according to you? What steps has the Commissioner taken to avoid the appearance of conflicts of interest in the future?***

The European Commission interacts with a wide range of groups and organisations representing specific interests. This is a legitimate and necessary part of the decision-making process to make sure that EU policies reflect citizens' real needs. The decision-making process must be transparent to allow for proper scrutiny and to ensure that the Union's institutions are accountable.

The Code of Conduct for Commissioners does not contain any definition of a meeting. However, Commission Decision C(2014)9051 defines the concept of "meeting" in Article 2a): *"meeting" means a bilateral encounter organised at the initiative of an organisation or self-employed individual or a Member of the Commission and/or a member of his/her Cabinet to discuss an issue related to policy-making and implementation in the Union. Encounters taking place in the context of an administrative procedure established by the Treaties or Union acts, which falls under the direct responsibility of the Member of the Commission, as well as encounters of a purely private or social character or spontaneous encounters are excluded from this notion"*

Interactions with lobbyists have to be considered in light of this definition in order to determine, on a case by case basis, which ones fall outside the scope of this definition. In this particular case, no request for a meeting was launched neither by Mr Mangold himself, nor by myself. The Hungarian authorities provided for a transportation facility.

10.	<p><b><i>Did you verify whether the cost of a flight on a private plane of a lobbyist from Brussels to Budapest would be in line with the standard gift allowance of 150€?</i></b></p> <p>According to the Code of Conduct "attendance upon invitation to any events where Commissioners represent the Institution shall not be considered as hospitality." I travelled to Budapest on official mission as Commissioner and the means of transport were proposed by the Hungarian Government. Therefore, the transport means were related to the official mission and cannot be considered as a gift providing an advantage with a pecuniary value.</p>
11.	<p><b><i>Mr. Günther Oettinger travelled to Budapest on May 18th 2016 on the private jet of an unregistered lobbyist, Mr. Klaus Mangold, to a conference on self-driving cars. The meeting and a travel with Mr Mangold was not published in his calendar.</i></b></p> <p><b><i>According to the Commission's spokesperson, Margaritis Schinas, Mr. Mangold is not involved in digital issues, therefore it is not a lobby meeting. The Hungarian government claims that Mr. Mangold was asked to help to organise the conference on digital cars, which indicates his involvement in Mr Oettinger's portfolio.</i></b></p> <p><b><i>Video footage and photos prove that Mr. Mangold and Mr. Oettinger attended together the conference on self-driving cars on 19th May at the Technical University of Budapest.</i></b></p> <p><b><i>The Hungarian government claims that Mr. Mangold was asked to help to organise the conference on digital cars. Why has the Commission denied this?</i></b></p> <p><b><i>If Mr. Mangold is not involved in digital issues why did he attend a meeting with Mr. Orbán?</i></b></p> <p><b><i>What topics were discussed which required the presence of Mr. Mangold? Could you specify how the statement by Margaritis Schinas is in line with Article 1 of the Commission Decision of 25.11.2014 on the publication of information on meetings held between Directors-General of the Commission and organisations or self-employed individuals (C(2014) 9048)?</i></b></p> <p><b><i>How does Mr. Oettinger choose his travel companions who do not work in his area?</i></b></p> <p>As outlined by the Hungarian Government Mr Mangold advises on various matters including conferences. The invitation to me to</p>

	<p>participate in the conference was sent by Mr. Mihály Varga, Minister for national economy of Hungary underlining the ownership of the conference by the Hungarian Government. Mr Mangold was advising the Hungarian Government on the organisation of the conference.</p> <p>Questions regarding the participation of Mr Mangold should be addressed to the Hungarian Government as he was not part of the Commission delegation.</p> <p>According to the Commission Decision C(2014)9051 “the Members of the Commission shall make public information on all meetings held by them and members of their Cabinet with organisations or self-employed individuals on issues relating to policy-making and implementation in the Union”. A meeting is defined as “a bilateral encounter organised at the initiative of an organisation or self-employed individual or a Member of the Commission and/or a member of his/her Cabinet to discuss an issue related to policy-making and implementation in the Union.” Mr Mangold had not asked for a meeting to discuss any issue related to policy-making and implementation in the EU. Neither have I asked Mr Mangold for a meeting to discuss such topics.</p> <p>The means of transport to Budapest were suggested by the Hungarian Government. I did therefore not make any choice for travel companions. In general, apart from members of my staff I do not choose any travel companions whether they work in my area or not.</p>
12.	<p><b><i>With more than 270 meetings with business representatives out of a total of 336 lobby meetings since December 2014, Commissioner Oettinger is clearly leading the list of Commissioners meeting with industry lobby organisations. Less than 10% of the meetings so far have been with NGOs. How does Commissioner Oettinger intend to ensure balanced access to different stakeholder groups in his new position?</i></b></p> <p>Too often it is claimed that the EU institutions are not listening to the preoccupations of normal citizens and the concerns of businesses. I interact with a wide range of groups, associations, non-governmental organisations and businesses representing specific interests. This is a legitimate and necessary part of the decision-making process to make sure that EU policies are well-balanced, added-value driven and reflecting citizens’ real needs. The number of meetings does by no means imply a particular level of influence in the decision making process of the Commission as I conduct my duties in full independence and in the general interest of the Union. Meeting business representatives was for example a crucial factor to drive the digitisation of European industry, and raise awareness about the importance for European industries to transform themselves and embrace the opportunities of the Digital Single Market in order not to lose competitiveness. The decision-making process must be transparent and allow for proper scrutiny.</p>

	<p>Given the range of matters in my portfolio the meetings in the register reflect a balance of a) meetings asked for and b) meetings requested. NGOs have not requested meetings comparable to the number of meetings requested by associations and businesses. However, I have discussed digital matters whenever possible with consumer organisations, NGOs or representatives of the "net community".</p> <p>In my new position it is my intention to interact with a broad range of interests and listening to the concerns expressed from all sides of society and economy. I will be open to meet organisations and NGOs in accordance with my availability and the relevance of the envisaged meeting, applying all rules currently in place.</p>
<p>13.</p>	<p><b><i>The budget portfolio under former Commissioner Kristalina Georgieva has been the one portfolio which attracted so far the least lobbying in terms of high-level meetings scheduled. In the past Commissioner Oettinger has been famous for meeting lobby groups outside his portfolio (cf. meetings with VW around emission scandal). How does Commissioner Oettinger intend to pursue in terms of external stakeholder meetings in his new position?</i></b></p> <p>The Budget &amp; Human Resources portfolio is relevant to a wide range of representatives of specific interests and rightly they are voicing their concerns. This includes in particular Member States and regional governments (to be noted that meetings with institutional representatives do not fall under the transparency obligations as outlined in Commission Decision C(2014)9051), but also NGOs, civil society and businesses. Therefore, it is an essential and legitimate part of the tasks of the responsible Commissioner to listen and to interact with these representatives to make sure that EU policies are well-balanced. It is also important for any Commissioner including myself to be well-informed about a variety of issues to actively contribute to the decision-making process of the College.</p>
<p>14.</p>	<p><b><u>Ethics and Integrity</u></b></p> <p><b><i>Commissioner Kristalina Georgieva has been also responsible for managing the Human Resources of the European Commission, which included the supervision of the Code of Conduct for EC officials. After the recent personal scandals (his speech in Hamburg on 26 October 2016, his flight with a private jet of Klaus Mangold on 18 May 2016), can Commissioner</i></b></p>

***Oettinger give reasoning as to why he is the best choice to lead the Commission on this area? What concrete measures does Commissioner Oettinger plan to help improve the management of the ethics and integrity of the Commission?***

In accordance with Article 17.6.b of the TEU, the President of the Commission decides on the internal organization of the Commission. President Juncker asked me to succeed VP Georgieva. I will put all my experience and dedication to deliver on these new and important responsibilities. In this context I will work in close and continuous cooperation with the European Parliament and in particular with the competent Committees.

As regards the improvement of the management of the ethics and integrity of the Commission, I am convinced that the current legal framework and management tools already provide with solid and valid instruments. However there is a need to strive in the best implementation of all the ethics requirements. This goes also with regular awareness raising actions and training.

Strict compliance with applicable ethical rules and standards, by both Members of the College and staff, as well as appropriate follow-up in case of breach is in my view vital. This is crucial not only to guarantee that the Commission, as a public administration, serves the public interest impartially, loyally and with full integrity but also to reassure citizens that the work of the institutions serves the general public interest. In these particularly challenging times, the trust of the European citizens is more important than ever. For all these reasons, I treat ethics as a serious matter.

The Commission has strong rules, which were further strengthened recently during the Staff Regulations reform. But the Commission is always seeking to improve the existing framework and to serve as a role model.

The application of ethical principles is a pre-condition for continued high professional standards in public services, but they have to be known, clear and understandable in order to be fully implemented. In this context, I will multiply the opportunities to remind all staff about the ethical rules and principles that apply to them. We should accordingly continue to build on our training offer, analyse to what extent we need to revise our existing guidelines or issue new guidelines on ethical matters of importance. Through awareness raising actions, training courses, etc., the Commission should uphold a value based culture leading to a uniform appreciation of the ethical rules and principles. This in my view constitutes the best preventive action.

In order to improve the management of ethics and integrity in the Commission I will support together with the President and the whole College the efforts

- to strengthen the code of conduct as proposed by President Juncker to extend the transition period for former Presidents and

	<p>Commissioners and</p> <p>- to annually check and verify the declaration of interests of Commissioners including their financial interests.</p> <p>Additionally I stand ready for an annual exchange of views with the Committee on Budgetary Control and the Ombudsman dedicated to ethics and a regular roundtable with NGOs to discuss questions regarding ethics and integrity.</p>
<p>15.</p>	<p><b><u>OLAF director-General: Conflict of interest</u></b></p> <p><i>Since the College of Commissioners decided to lift the OLAF Director- General's immunity, following a request by Belgian authorities in the course of an investigation linked to the "Dalli case", he has been faced with a triple conflict of interest:</i></p> <ol style="list-style-type: none"> <li><i>1. While the College was in the process of deciding about lifting his immunity, the Director-General considered the possibility of opening OLAF investigations against Members of the Commission.</i></li> <li><i>2. Once the College had taken its decision to lift his immunity, the Director-General took legal action against the Commission for an alleged irregularity in the adoption of its decision, while at the same time continuing to represent the Commission on policy matters related to his portfolio.</i></li> <li><i>3. After the lifting of his immunity had been confirmed, the Belgian public prosecutor began investigating the Director-General's role in the criminal case in question. However, at the same time, the public prosecutor continues to serve as OLAF's, and thus the Director-General's, interlocutor for fighting fraud against the EU's financial interests on Belgian territory.</i></li> </ol> <p><i>Do you agree that these conflicts of interest could damage both OLAF's and the Commission's reputation? Will you, in your role as Vice-President responsible for OLAF, make sure that the OLAF Director-General be placed on leave until the end of the investigation by the Belgian authorities, and that a temporary substitute be appointed?</i></p> <p>The Commission sees no risk of conflict of interest. The request of the Belgian authorities to waive the Director-General's immunity concerned a punctual act in the course of a particular investigation. The Commission decision was adopted with due consideration to the presumption of innocence and in a spirit of sincere cooperation with the Belgian authorities.</p>

	<ol style="list-style-type: none"> <li>1. There is no connection between the request to waive the immunity which the Commission had to deal with and the possible investigative activities of OLAF. The Commission Decision was adopted without any influence from the side of the OLAF Director-General. This decision is obviously without prejudice to OLAF's operational independence, which the Commission is committed to respect and protect.</li> <li>2. Article 17(3) of Regulation 883/2013 foresees the possibility for the Director-General of OLAF to bring an action before the Court of Justice if he considers that a measure taken by the Commission calls his independence into question. Using this possibility does not put him in any conflict of interest. As regards the area of anti-fraud policy, the OLAF Director-General does not exercise any independent activity and no risk of conflict of interests has been identified in this area either.</li> <li>3. The Commission does not see conflict of interest in the cooperation between the Belgian judicial authorities and OLAF Director-General who perform their roles independently, in accordance with their respective legal framework and responsibilities. The presumption of innocence prevails and it is of utmost importance that OLAF and its Director-General continue to protect the financial interests of the Union, including in Belgium.</li> </ol> <p>Under the current circumstances, the idea of suspending the Director-General of OLAF is not appropriate. It would be detrimental to the independence of OLAF and would weaken the protection of the financial interests of the Union.</p>
<p>16.</p>	<p><b><u>Former portfolio</u></b></p> <p><b><i>Commissioner Oettinger, you have initiated numerous reforms in the position of Commissioner for Digital Economy &amp; Society, concerning data protection, online shopping, digitalisation, copyrights etc. Now is the time for those initiatives to be well backed and defended in order to become part of the European legislation. Do you think that shift in portfolio would create uncertainty in the sector and might lead to failure?</i></b></p> <p>Over the first two years of the mandate I was - as Commissioner responsible for the digital economy and society - driving the digital agenda with commitment and enthusiasm. Being convinced that the digital revolution is a major opportunity for all European citizens and businesses I contributed to the Digital Single Market strategy and a big part of the actions outlined in the strategy were proposed by myself to the Commission.</p> <p>It is now important to drive further the agenda. However, this agenda is not owned by one Commissioner alone, it is a matter for the team</p>



of Commissioners. Vice-President Ansip has been leading the coordination for the Digital Single Market and will continue to do so. I am convinced that there will not be disruption in the drive for a Digital Single Market and I am willing to help as much as my new portfolio allows to keeping the digital agenda moving forward.

**EDF**

**17. *What is your attitude towards putting the EDF into the regular budget?***

Since its inception with the Treaties of Rome in 1957, the European Development Fund (EDF) has had its own legal framework and has remained situated outside the EU budget. With its financial endowment of around EUR 30.5 billion for the period 2014-2020 (11<sup>th</sup> EDF), it represents nevertheless a very sizeable share of the availabilities for the implementation of EU development cooperation. I am very much aware that the European Parliament has been a long-time proponent of full incorporation of the EDF into the EU budget, not least for reasons of improved democratic scrutiny and accountability.

To facilitate an eventual budgetisation, the financing shares and the financial rules applicable to the EDF have been gradually harmonised over recent years to be as similar as possible to those of the EU budget.

As stated in the Commission's Communication on the midterm review/revision of the MFF of 14 September 2016<sup>1</sup>, as regards the budgetisation of the EDF, the Commission will carefully analyse the way forward, taking into account all relevant circumstances and considerations, including:

- The overall design and structure of the post-2020 external action instruments;
- The nature of the partnership between the European Union and the African, Caribbean and Pacific countries after the expiry of the Cotonou agreement in 2020;
- Lessons learned from evaluations of previous action, stakeholder consultations and impact assessments of various arrangements.

<sup>1</sup> Commission Staff Working Document accompanying the document Communication from the Commission to the European Parliament and the Council – Mid-term review/revision of the multiannual financial framework 2014-2020. An EU budget focused on results, SWD(2016) 299 final, 14.9.2016, p. 36.

This issue will hence be on my agenda in the framework of the preparations of the next MFF.

**Protection of the EU financial interest**

**18. *What actions do you foresee in terms of protecting the EU financial interests in order to preserve the thrust, image and integrity of investments through the EU budget, especially in the Cohesion policy?***

Preserving the thrust, image and, above all, integrity of investments through the EU budget, especially in the area of Cohesion Policy, calls for a multi-faceted approach encompassing budgeting, spending programme design and measures to prevent, detect and correct irregularities, and fight against fraud, corruption and other illegal activity threatening the financial interests of the European Union. The Commission remains committed to continuously taking appropriate measures and implementing best practices in all of these areas:

- An obligation has been introduced for the first time<sup>2</sup>, for the spending period of 2014-2020, for the Member States to equip their management and control systems in the shared management of Structural and Investment Funds with proportionate and effective anti-fraud measures. In general, the Commission has a continuous dialogue with Member States to enhance their capabilities and tools to fight fraud. For example, a risk scoring tool called 'ARACHNE' has been put at the disposal of Member States to help identify risky projects, contracts and contractors, so that managing authorities can take further actions.
- The new public procurement directives provide notably for the setting of minimum standards in the definition of conflicts of interests, the obligation for the Member States to take appropriate measures to detect, prevent and tackle conflicts of interests, the extension of exclusion grounds of bidders and the introduction of mandatory E-procurement by the Member States by 2018.
- The Commission is also preparing an update of its Anti-fraud Strategy (having fully implemented all measures proposed in the first Commission Anti-fraud Strategy 2011) and has stepped up the promotion of National Anti-fraud Strategies in the Member States.

<sup>2</sup> Article 125.4 (c) of the Common Provisions Regulation

<b><u>EU finding model(s)</u></b>	
19.	<p><b><i>The Commission has recently agreed in the European Defence Action plan that Member States contributions will be discounted from the structural fiscal effort expected to be accomplished by Member States and that the same treatment will apply to guarantees to the extent that they have an impact on deficit and/or debt. What is your opinion about extending this principle to other areas of spending with similar mechanisms of contribution from Member States? (i.e EFSI local and regional investments, national financing of EU projects etc).</i></b></p> <p>EU budgetary rules, namely the Stability and Growth Pact (SGP), have been agreed by all Member States with the primary aim of ensuring the sustainability of public finances and achieving macroeconomic stability in the EU.</p> <p>The SGP rules do not envisage exclusions of any kind of expenditures from the scope of budgetary surveillance, in order to ensure the sustainability of public finance. The SGP considers that all public expenditures must be adequately financed. Otherwise, public indebtedness will build up and the euro area will risk facing again the adverse consequences that we experienced during the euro area debt crisis.</p> <p>However, the SGP envisages that some measures, the so-called "one-off measures", could be netted from the structural balance under certain conditions and provided that these measures have a transitory budgetary effect that does not lead to a sustained change in the budgetary position.</p> <p>To avoid that the interpretation of the "one-off measures" goes against the letter and spirit of the SGP and creates loopholes in the</p>

	<p>budgetary surveillance framework, the Commission issued precise guidance and shared it with the Member States in the alternates group of the Economic and Financial Committee. This guidance was subsequently published in the 2015 public finance report.<sup>3</sup> "One off treatment should remain carefully circumscribed.</p> <p>Moreover, using relaxation of SGP to promote other Commission policies is very often not the best instrument, since the hindrances to these policies are often structural and not related to fiscal discipline. Reshuffling of public expenditure toward growth-friendlier or strategic items may help in this respect, without involving endangering the credibility of fiscal surveillance.</p>
20.	<p><b><i>Given that the EU funding model has essentially followed that of Germany, particularly after the introduction of the Euro and the stability pact, and given that from October 14th 2016 Germany has adopted a radical change in the model of German financing between the federal state and landers in which the federal state will finance, from 2020 to 2030, the Länder at a rate of more than 9 billion euros per year, how do you think this change will influence the new financial perspectives of the EU?</i></b></p> <p>I have taken note of the recent agreement in Germany to reform the system of the 'Länderfinanzausgleich', including the attribution of some new tasks to the federal level and the new amounts the 'Bund' will have to fund.</p> <p>However, I would take issue with the question's assumption that <i>the EU 'funding model' 'has essentially followed that of Germany'</i>. The EU general budget was never conceived to be a system of fiscal equalisation or sizeable, deliberate redistribution. There are no direct financial transfers between Member States. The redistributive effects between regions and Member States that results from our EU budgetary interventions are largely a consequence of the allocation of expenditure programmes such as cohesion policy which pursue objectives defined at EU level.</p> <p>The EU does not have a system whereby either</p>

<sup>3</sup> [http://ec.europa.eu/economy\\_finance/publications/eeip/pdf/ip014\\_en.pdf](http://ec.europa.eu/economy_finance/publications/eeip/pdf/ip014_en.pdf). This guidance includes several principles to be considered altogether when assessing the eligibility of a measure as "one-off". First, "one-off" measures should be non-recurrent. Second, they cannot be decreed by law or by an autonomous government decision. They should also not encompass volatile components of revenue or expenditure, as well as deliberate policy actions that increase the public deficit. Finally, they should have a significant impact on the general government balance.

- Member States transfer financial funds amongst each other, or
- a federal level with independent revenue sources capable of making direct budget contributions to Member States or regions

So economically, and legally, the two systems are not comparable and the analogy suggested cannot apply.

In the context of devising the new MFF I will take great care that principles of subsidiarity, solidarity and sound financial management will be adhered to. And, furthermore, it is crucial to keep in mind that competences and tasks ascribed to the EU level, can only be expected to be fulfilled, if they are underpinned by commensurate, adequate financial attributions.

## **MFF**

**21. *In September 2016 the Commission issued its communication on the midterm review/revision of the Multiannual Financial Framework. Given the current circumstances and the likely exit of the United Kingdom from the Union what is your opinion about the necessity for a genuine revision of the MFF? Where should the focus be placed if and when the MFF is revised?***

On 14 September 2016, the Commission adopted the Communication on the Mid-term review/revision of the multiannual financial framework 2014-2020 – ‘An EU budget focused on results’ (MTR).

The Commission sees the MFF mid-term review/revision as an opportunity to reassess together with the other EU institutions and Member States the functioning of the MFF, to adjust its priorities and to strengthen its capacity to deliver on multiple objectives and respond to new challenges.

The aim of the MFF review/revision package is to reinforce support for the highest political priorities (e.g. tackling the migration crisis, boosting investment and combating youth unemployment), to make the budget more flexible and better able to respond to crises and to simplify the functioning of financial programmes so that their benefits are felt quickly and with a minimum of bureaucracy.

The package of proposals provides additional financial means of EUR 13 billion (out of which EUR 6.3 billion "top ups") in order to allow the EU to efficiently respond to the new challenges. To increase the flexibility of the EU budget the Commission proposed to amend the ‘MFF Regulation’.

After intense negotiations in Council and several informal meetings between Council and Parliament, a compromise package has emerged which could underpin a final agreement once the pending reserves are lifted.

The compromise package includes the following top ups:

- EUR 3.9 billion for migration and security (internal and external dimension).
- EUR 1.2 billion for the Youth Employment Initiative; this is EUR 200 million more than proposed by the Commission. Together with financing from the ESF, EUR 2.4 billion additional money are now available for this initiative.
- Reinforcement, via redeployment, of important programmes in heading 1a fostering growth and jobs, including:
  - Horizon 2020: plus EUR 200 million
  - CEF Transport: plus EUR 300 million
  - Erasmus +: plus EUR 100 million
  - Cosme: plus EUR 100 million.

Amongst others, this broad agreement provides for the much needed increased flexibility for commitments and payments in the MFF Regulation. That is to say, the annual availabilities of the flexibility instrument would increase from EUR 471 million to EUR 600 million (in 2011 prices), in addition to the possibility to use unused amounts from the European Union Solidarity Fund and from the European Globalisation Fund. For 2017, these new flexibility instruments could bring up to EUR 800 million additional flexibility (in commitments). Moreover, the annual availabilities of the Emergency Aid Reserve would increase from EUR 280 million to EUR 300 million in 2011 prices.

Also the Global margin for commitments would be extended in time and scope, to cover also measures in the area of migration and security.

The "capping" of the Global margin for payments would be increased by a total of EUR 5 billion in 2011 prices (EUR 2 billion in 2019 and EUR 3 billion in 2020) allowing to adjust the 2019 and 2020 ceilings upwards by adding margins and under-execution from previous years without requiring a revision of those ceilings. This will help to reduce the risk of a backlog at the end of the 2014-2020 MFF like the one that occurred at the end of the previous MFF.

While the adoption procedure for the midterm revision differs from that of the annual budget, one should acknowledge the efforts made by the Slovak Presidency to involve the Parliament as much as possible along the process. I am aware that the result may not meet all the well justified expectations. But in times where reinforcing EU spending is more and more unpopular across the Union, we should not neglect the package on the table.

	<p>The adoption of the mid-term revision would be a major success. It would provide stability and much needed unity in the troubling times ahead. Agreement is within reach with some further work, but both sides have to show flexibility to reach it.</p> <p>I will work intensely and closely with the European Parliament and the Maltese Presidency to achieve this success within the next couple of months, before other issues take centre stage.</p> <p>Of course any political agreement on the midterm revision cannot prejudice the prerogatives of the two arms of the budget authority. We need to preserve the competence of the Parliament and the Council in the annual budget process.</p>
<p><b>22.</b></p>	<p><i>In 2017 the preparation for the new post 2020 MFF should begin. In this regard:</i></p> <ul style="list-style-type: none"> <li><i>- How do you see the place of the Cohesion Policy in the new framework – should it be increased or on the contrary?</i></li> <li><i>- Do you think that the implementation of the Cohesion Fund should be prolonged after 2020?</i></li> <li><i>- Do you consider the Connecting Europe Facility an effective tool for policy implementation and how do you see its place in the future?</i></li> <li><i>- In the current programming period there was a heavy shift towards the use of financial instruments for various Union policies and programmes. However initial results as well as the observations of the Court of Auditors show that financial instruments are associated with slow delivery and create further divergences among EU Member States and regions. What is your opinion on the future role of financial instruments in the Cohesion and other EU policies?</i></li> </ul> <p>In the next MFF cohesion policy will continue to play an important role. The same applies to supporting trans-European infrastructure projects in the transport, digital and energy policy area. All these policies will undergo an evaluation of their contributions to their policy objectives in the coming months.</p> <p>You will certainly understand that I cannot answer your question concerning the size of specific policies in the next MFF at this early stage of the preparatory process. As a first step we will have to carefully assess the budgetary room for manoeuvre, taking full account of macroeconomic projections and other circumstances which will be relevant to the period concerned. I am committed to a broad</p>

	<p>consultation process, including with Parliament.</p> <p>One important element will be to explore possibilities to leverage the EU budget. This can be done through different ways, e.g. by increasing the co-financing from national budgets in order to strengthen the ownership for implementing European policies, or by making wider use of financial instruments.</p> <p>The current MFF has already seen a certain increase of the use of financial instruments compared to the previous period. The Communication on the mid-term review/revision has provided a first assessment of their implementation, on the basis of which the Commission has made proposals to simplify their use, in particular if combined with the European Structural and Investment Funds and the European Fund for Strategic Investments (EFSI).</p> <p>One element of investigations in terms of assessing the performance of these instruments with a view to the next MFF will be the regional take-up. There has been some concern that the implementation of these instruments is highly concentrated on more competitive Members States, in particular with regard to EFSI. However, when relating investments triggered to the size of the economy it is currently Estonia that is topping the list, while for instance Germany figures within the last third of Member States.</p> <p>Furthermore, the Commission has proposed to widen the services of the European Investment Advisory Hub ensuring that Member States with less developed Financial Markets can also get maximum benefit from financial instruments.</p> <p>With regard to the next MFF, a rigorous assessment of the functioning of the current instruments (including EFSI), in particular to determine the most effective implementation modes, will be key in determining how their use can be further expanded.</p>
<p>23.</p>	<p><b><i>How do you think that the TOR system must be changed in order to provide greater independence and sustainability of EU finances?</i></b></p> <p><i>(Remark: If the question rather relates to Own Resources (OR) than Traditional Own Resources (TOR) please refer to reply given to question BUDG 4.)</i></p> <p>First of all, the overall significance of Traditional Own Resources (TOR), which are for the most part customs duties, within the wider Own Resource (OR) system should be kept in mind. TOR account for just 13% of the total OR, so the sustainability of the EU finances hinge much more on other OR than on TOR. That being said, the customs union provides for a genuine OR of the EU, raising significant amounts of revenue for the EU budget.</p>



	<p>Despite ongoing trade liberalisation, EU budget revenue from TOR has actually increased some 25% in the last ten years, from EUR 14.9 billion in 2006 to EUR 18.6 billion in 2015. Budget execution in 2016 confirms this trend. The TOR system rests on two pillars, facilitation of trade and the protection of the EU financial interest. An appropriate balance between these two pillars should continue to be ensured to foster the independence and sustainability of the TOR system.</p>
<p><b>24.</b></p>	<p><b><i>Since the recent Budget 2017 trialogue took place under the mandate of another Commissioner, could you please explain your position on it? What are your aspirations already for Budget 2018 and what is the place of the Cohesion policy in it?</i></b></p> <p>The Commission is acting in a collegial way. This implies that a consultation of all Members of the College has taken place before entering into the negotiations. The Budget 2017, as adopted, has the full support of the Commission and mine too. The adoption of the 2017 Budget was a very positive sign for the EU institutions. It was not easy, but all parties acted responsibly and made the necessary concessions. This is a joint success of the EU institutions and a clear proof that the EU can overcome differences.</p> <p>It is a good budget as it reinforces the priority areas of Competitiveness, Growth and Jobs, the management of migration flows and addressing the security threats both inside the Union and in our neighbourhood as proposed by the Commission and as also defended by the European Parliament.</p> <p>The 2018 Budget shall make sure that the EU will have the necessary means to again respond effectively to these challenges. Concerning Cohesion policy, 2018 should be the year when implementation reaches cruising speed, which means that payment levels should increase rather significantly compared to 2016 and 2017. It is important to set the right level of required appropriations for 2018 to allow full implementation of payments requests and thus avoiding creation of a new backlog.</p>
<p><b>25.</b></p>	<p><b><i>The MFF revision is still a pending issue for the representatives of the European Parliament. In the position of a Commissioner for budget and human resources will you put enough efforts to push an efficient midterm review in short delay?</i></b></p> <p>As mentioned in my reply to question 21 above, the Commission's ambition is to reach an agreement on the financial aspects and the amendment of the MFF Regulation with the European Parliament and the Council as rapidly as possible. Therefore, I will continue to work constructively with the Maltese Presidency and the Parliament to successfully achieve this goal as swiftly as possible and to make sure that the Parliament's concerns are properly addressed.</p>

<b>26.</b>	<p><b><u>Brexit</u></b></p> <p><b><i>In the context of Brexit, what kind of staff reallocations do you envisage and how do you prepare to manage them?</i></b></p> <p>As mentioned in the statement following the Informal meeting of the Heads of State or Government of 27 Member States, as well as the Presidents of the European Council and the European Commission on 15 December 2016, no negotiation can start before any notification from the UK to leave the Union has been made. In this context - as it is foreseen in the statement - the European Parliament will play an important role in the process. When it comes to the technical support a Task Force has been created to deal with all matters related to the Brexit, headed by Michel Barnier as Chief Negotiator. This new Service operates under the direct authority of President Juncker and relies on policy support from all Directorates-General and services across the Commission, working particularly closely with the Secretariat-General and the Legal Service.</p>

### III. Questions from the Committee on Legal Affairs

No.	Question
1.	<p><b><i>As Commissioner responsible for the Budget and Human Resources you will have the ultimate responsibility for areas which directly affect the staff of the Institutions: recruitment, working conditions, European schools, to name but a few. In a context of shrinking demographic growth, the Institutions face more competition from other employers when recruiting staff. However, in order to be able to respond adequately and effectively to the current and future challenges, the EU needs an efficient civil service with highly qualified and multilingual men and women, drawn from among citizens of the Member States on the widest possible geographical basis.</i></b></p> <p><b><i>What will you do in respect of your predecessor's strategy? In particular, what measures do you envisage taking in order to attract and retain 'the best and the brightest'? How will you contribute to developing a genuine corporate talent management policy? How will you ensure that the human resources allocation matches the Commission's priorities in order to rationalise the Commission's ways of working? How will you promote gender equality in the recruitment process and throughout the career path? What is the current state of play in terms of ensuring gender equality among the staff of the Institutions? How will you contribute to achieving 40% of female senior and middle management in the Commission by the end of the mandate? The European Commission is in a unique position to lead by example as well as promoting these policies throughout the EU. What meaningful contribution do you intend to make to ensure that gender equality is promoted in a horizontal manner beyond just the Commission's internal policies? What is your position regarding the status and rights of the British staff members after the Brexit?</i></b></p> <p>I strongly believe that the European civil service made up of dedicated and highly skilled staff members is critical for delivering our ambitious agenda. I have said this on numerous occasions to people I met in my function as Energy Commissioner and Digital Economy Commissioners, to journalists and stakeholders. I have mentioned the good work of EU officials often and pro-actively. An important number of initiatives have been launched in the recent years and, building upon them, I will dedicate myself to ensuring appropriate conditions for staff to perform and remain committed.</p> <p>The European Institutions have to stay competitive in the international labour market in order to attract the best and the brightest from all</p>

Member States. To this end, I will continue implementing the recruitment policy based on merits while supporting outreach actions aimed at demonstrating the attractiveness of the EU career brand. The organisation of the EU competitions will have to be better aligned with the Institutions' needs, such as recruiting staff but with higher qualifications in specific domains (e.g. economics, finance, or energy, etc.). More targeted EU competitions should also allow attracting the brightest talents from across the Union.

I will pursue the implementation of the Commission's recent Talent Management Strategy, which aims at putting people's talents to the fullest possible use once they have been recruited. In the challenging context of shrinking human resources, we can and must do more to promote managerial excellence as well as staff mobility and development.

In the same vein, as Commissioner responsible for Budget and Human Resources, I will make sure that the Commission resource allocation decisions remain evidence-based, take full account of the budgetary appropriations available and allow for swift redeployments of talents to the priority areas. I will pursue the achievement of synergies and efficiencies in the Commission's coordination, support and other horizontal functions. Furthermore, I will support the use of flexible structures and collaborative work that are conducive to more effective and agile delivery of the Commission objectives.

In our complex political environment, it is necessary to tap into the talents of all our people – women and men. Currently, women in the Commission account for 55% of all staff. The Commission has a balanced set of measures, combining gender targets and monitoring, aimed at promoting gender equality in the recruitment and selection process and throughout the career path. When it comes to women in management, currently, the female representation in senior management is at around 31%, and at middle management level around 34%. The Commission will build on the good progress made since 2014 and intensify its efforts with a view to reaching the target of 40% of female managers by 2019. I will support all measures aimed at increasing the number of female candidates to senior and middle management functions, such as trainings, mentoring schemes or flexible working possibilities. Furthermore, I will ask the Commission departments to make further efforts in terms of first appointments of women to middle management functions.

At the very beginning of my new mandate, I will propose for the Commission's endorsement a new diversity and inclusion strategy for its staff up to the year 2019. Diversity and inclusion, which go beyond the concept of gender equality, matter to the Commission's performance and to the signal we send to our Member States and the rest of the world.

Equality between women and men is one of the European Union's founding values. Although inequalities still exist, notably in the labour market, the EU has made significant progress over the last decades thanks to equal treatment legislation, gender mainstreaming and specific measures for the advancement of women. The "Strategic engagement for gender equality 2016-2019", published in December 2015, sets the framework for the Commission's future work towards improving gender equality. I will work closely with Commissioner Jourova in this area.

	<p>Regarding the future of UK nationals in the Institutions, this issue will be tackled as part of the Article 50 negotiations. At this stage, I just want to recall what was said by President Juncker in the aftermath of the referendum, in particular that UK staff members are above all "Union officials" and that we are committed to assist them.</p>
<p>2.</p>	<p><b><i>What is your assessment of the Commission Decision C(2006) 1624/3 on the European Commission policy on protecting the dignity of the person and preventing psychological harassment and sexual harassment? Did the Decision properly address the need to create and preserve a working environment at the Commission in which any form of harassment is ostracised? Beyond written policy, should the Commission and the Commissioner responsible for Human Resources set higher standards to himself by personal behaviour, both in relation with staff as well as in the general public?</i></b></p> <p>The Commission is committed to providing a work environment that is free of harassment, where all people are treated with respect and dignity. The Commission's anti-harassment policy, which derives from a decision adopted in 2006, is based on both a preventive approach and reactive measures. Prevention encompasses general information made available to all staff and training. Reactive measures include two procedures (one informal and one formal) to deal with situations of workplace conflict and alleged harassment.</p> <p>The employer's duty to protect its staff and to guarantee respect for the dignity of women and men at the workplace is crucial to me. I do not see any specific pattern of harassment at the Commission that would create a systemic issue. However, let's be clear: even a single case of harassment will always be one case too many. The Commission should accordingly continue its preventive actions and carry on promoting a respectful working environment. Formal investigations and sanctions should continue to apply whenever necessary.</p> <p>Overall, introducing the anti-harassment policy has definitely been a positive move towards ensuring more respectful working relationships. Good progress has been made in implementing the 2006 Commission Decision. Proposing formal and informal procedures, setting up a network of confidential counsellors, creating specialised services to handle potential cases, organising training courses and issuing brochures for staff and managers have definitely been progress.</p> <p>The Commission's relevant services have gained substantial experience in handling harassment complaints since 2006. In addition, the Court of Justice of the European Union has rendered a series of judgments on the matter since 2006. While those judgments are already implemented in the Commission's practice, they have not yet been reflected in the drafting of the Commission decision. For all those reasons, one of the legislative initiatives I will initiate as Commissioner in charge of Human Resources is to adopt a revised decision on preventing and combatting harassment in the workplace.</p>

3. **Article 298 of the Treaty on the Functioning of the European Union provides that in carrying out their missions, the institutions, bodies, offices and agencies of the Union shall have the support of an open, efficient and independent European administration. In 2004 and subsequently in 2014 the Staff Regulations and Conditions of Employment underwent a profound reform. However, citizens expect not only a high quality service in which the principles of integrity and legality are respected, but also that these activities are carried out in a context that can provide the highest degree of transparency.**

**In its resolutions of 15 January 2013 and 9 June 2016, Parliament requested the Commission to submit, on the basis of Article 298 TFEU, a proposal for a regulation on an open, efficient and independent European administration. It also carried out a study of the European Added Value of a Law of the Administrative Procedure. Parliament is convinced that rules on good administration promote transparency and accountability. Now it is more important than ever to enhance the Union's legitimacy and increase the confidence of citizens in the Union's administration. We believe that a regulation that enhances transparency as well as legal clarity regarding the procedures and obligations that the EU administration has in relation to European citizens would achieve that aim. Very unfortunately, the Commission only showed reluctance and opposition to regulating the EU administration. This approach we do not understand. What are your views? What evidence would it take to convince the Commission that it is high time to come up with the abovementioned regulation? Will you cooperate with Parliament to that end?**

**For citizens outside the EU administration seems like an Ivory tower. In view of creating bridges and bringing the EU administration closer to the citizens, would you envisage creating platforms, exchange programmes, information sessions in Member States?**

The Staff Regulations already provides for an extensive framework of rules, principles and practices aiming at an open, efficient and independent interaction with EU citizens. These aspects were further strengthened with the Staff Regulations reforms in 2004 and 2013. Considering that the Staff Regulations are applied together with other sets of horizontal rules such as the Code of Good Administrative Behaviour, the data protection Regulation, the access to documents Regulation, to name but a few, the degree of transparency that is currently achieved is very high.

When it comes to sector-specific initiatives in the field of Article 298 TFEU, the Public Register of all implementing staff rules of the EU institutions needs to be mentioned. The Register was foreseen with the 2013 reform of the Staff Regulations with a view to enhancing knowledge and transparency on how the institutions function internally, thereby creating trust in the administration. After being put in place without any delay, the public register is now publicly available, thus providing for a higher degree of transparency in the field of EU

staff rules.

The Commission is committed to guaranteeing that citizens, business and stakeholders can interact with an administration that is open, independent and efficient. For that purpose, the Commission, like the other European Institutions and bodies, has a well-established set of horizontal rules which govern its administrative behaviour.

Regarding the codification of the EU administrative law, the Commission remains, at this stage, not convinced that the benefits of using a single, horizontal legislative instrument that would codify administrative law would outweigh the costs. Following the European Parliament's proposal would not only mean new legislation; it would also require the revision of a considerable volume of existing EU legislation. Even where done with care and a sense of proportion, codification is likely to lead to problems of delimitation between the general and specific rules – not making legislation any clearer or litigation any easier for citizens and businesses affected.

It would also remove the flexibility required to adapt to particular needs. These challenges and difficulties are also confirmed by the draft regulation from the European Parliament. The text does not yet identify what the gaps and inconsistencies in current law are, and therefore what the justification is for coming forward with horizontal legislative solutions as a proportionate answer to deal with them. Neither does it so far assess the concrete impact of the provisions it contains. Instead of engaging in a highly complex exercise of codification, with uncertain added-value, the Commission intends to continue addressing concrete problems where they arise, analyse the root causes and then take necessary action.

In the field of human resources, the Staff Regulations already provides for an extensive framework of rules, principles and practices aiming at an open, efficient and independent interaction with EU citizens. These aspects were further strengthened with the Staff Regulations reforms in 2004 and 2013. Considering that the Staff Regulations are applied together with other sets of horizontal rules such as the Code of Good Administrative Behaviour, the data protection Regulation, the access to documents Regulation, to name but a few, the degree of transparency that is currently achieved is very high.

**4.** *According to Article 11 of the Treaty on the European Union, ‘the European Commission shall carry out broad consultations with parties concerned in order to ensure that the Union’s actions are coherent and transparent’. And the institutions shall maintain an open, transparent and regular dialogue with representative associations and civil society. What will you do to better balance contributions received from corporate stakeholders with those received by civil society and individual contributions? What will you do to improve the publication of meetings and appointments with interest groups?*

As set out in the Better Regulation agenda<sup>4</sup>, this Commission wants to listen closely to citizens and stakeholders and therefore commits to consultations that are of high quality and transparent, reach all stakeholders and target the evidence needed to make sound decisions. Those affected by legislation understand best the impact that legislation will have, and can provide the evidence needed to improve it. To ensure transparency, all contributions to public consultations and follow up reports are published on the Commission's webpage dealing with the policy topic concerned.

When analysing contributions and reporting on the outcome of a consultation, the Commission considers carefully the various stakeholder groups that participated, whom they represent and the views they expressed. However, as respondents to public consultations are self-selecting, they are not a representative sample of EU citizens and stakeholders. Therefore, public consultations do not aim to provide for a representative view of what EU citizens and stakeholders think, they are not a "vote" or a survey, but rather aim to gather the different views of citizens and different stakeholders on the Commission initiative concerned. It is also in this way that the Commission reports on contributions to consultations.

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<sup>4</sup> COM(2015)215 final - [https://ec.europa.eu/priorities/democratic-change/better-regulation\\_en](https://ec.europa.eu/priorities/democratic-change/better-regulation_en)



**5. As Commissioner for Budget and Human Resources you will have the responsibility for working closely with the Commissioner for Digital Economy and Society to make the European Commission more open and effective through a better use of digital technologies. How will you make sure that Commission resources are used to deliver on priorities, including the ISA2 programme and the Commission's own Open Source Software Strategy?**

Information and Communication Technologies (ICT) counts among the main domains of the 2016 Communication on Synergies and Efficiencies Review (SER) in the Commission<sup>5</sup>. The communication is designed to deliver efficient results in the implementation of EU policies, and identifies a series of actions in the ICT domain along the following dimensions:

➤ The digital transformation agenda comprises three pillars:

1) The automation of core corporate processes in DGs and services. Actions on which we are already working are:

- Setting-up a Single Electronic Data Interchange Area (SEDIA)<sup>6</sup> that will allow a standardised and unified channel for the submission, storage and processing of data submitted in grant and procurement procedures.
- Defining a corporate e-procurement solution that will become mandatory for all DGs and services and will align disparate procurement processes.
  
- Extending the new e-Grants solution to all concerned DGs managing direct grants and where applicable to indirect grants.

Further to the efficiency gains expected from the harmonisation of processes, all these actions will facilitate the relationships with companies, SMEs, organisations and people in general with whom the Commission is in daily contact for the implementation of EU policies and budget.

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<sup>5</sup> SEC(2016)170 of 4.4.2016

<sup>6</sup> As foreseen in Article 95 of Financial Regulation

- 2) Big data and data analytics solutions, where the Commission continues piloting with the view of building up its analytics infrastructure.
- 3) Architecture components, where the Commission's intention is to identify and roll out a set of reusable components, which will support the implementation of new systems and processes throughout Commission services. This includes the implementation of an e-signature solution in relevant (inter-institutional) administrative processes; or the generalisation of EU Login (the secure e-identification to access EU systems with already more than 2 million users).

➤ The digital workplace of the future SER ICT initiative has its focus on providing staff with the right IT tools, platforms and services, enabling users to work and collaborate anywhere, anytime with a fit-for-purpose security and optimising their work experience and productivity.

➤ The consolidation and standardisation thread of the SER ICT domain covers:

- 1) The consolidation of local data centres into two data centres (for business continuity purposes) in Luxembourg. I have personally inaugurated one of these data centres recently, thus allowing the transfer of data and systems from scattered local data centres of the DGs.
- 2) The centralised management of IT equipment by DG DIGIT, which includes the centralisation and standardisation of end-user IT equipment and related support services.

➤ Finally ICT Security is also high on the agenda by:

- a consistent implementation across the Commission of key IT security processes;
- improving the global IT security infrastructure (network and endpoint securisation);
- ensuring efficient IT security governance and keeping senior management, IT experts and end-users informed about global IT security posture (risks and threats);
- More effective IT security functions are expected to be achieved through the partial centralisation of the local information

security officer (LISO) role, which is now decentralised in the different DGs.

The Commission has renewed in 2015 its Open Source Software Strategy (OSS). It is part and parcel of the ICT landscape in the Commission both internally and in the tools available to public in general. We use OSS throughout our processes, ranging from the central data centre, through the browsers in our PCs, to the collaborative sites and tools for EU citizens. And together with the Commissioner in charge of the Digital Agenda we will continue to work for its use in the administrative and policy processes implemented by Commission services.

A necessary condition for the success of the above initiatives is the allocation of sufficient resources. In this respect, the role of the ISA<sup>2</sup> programme, and synergies with the operational programmes involved in massive grants and procurement processes, will be paramount. This will be the case in particular for initiatives related to the harmonisation of business processes that will greatly improve the access and participation of interested parties to the implementation of EU policies and budget. The guidelines, solutions and tools provided by the ISA<sup>2</sup> programme to support European public administrations in their modernisation efforts will also be of help to the Commission in this regard.

As per my previous assignment I believe I am well placed to understand the importance of the ISA<sup>2</sup> programme and its contribution to the interoperability and modernisation of the public sector in Europe and I am fully aware of the role of ISA<sup>2</sup> in avoiding multiplication of efforts among administrations and I will, in my new assignment, continue following the progresses achieved in this area to make sure that the necessary resources are allocated and that the Commission will benefit from ISA<sup>2</sup> guidelines and solutions and avoid duplicating resources. The European Parliament will be able to follow the progress of its execution, in particular through the annual reporting required by the ISA<sup>2</sup> decision (art. 13).

A series of European Parliament initiatives through budgetary pilot projects and preparatory actions will be of great value for the implementation of some of the actions envisaged by the Commission as detailed above. In particular the new preparatory actions (following related pilot projects) on 'Governance and quality of software code – Auditing of free and open-source software' and on 'Encrypted electronic communications of EU institutions' will facilitate the implementation of open source solutions while ensuring the necessary level of security and protection of EU institutions and users in general. Moreover, the new pilot projects 'New technologies and ICT tools for the implementation and simplification of European Citizens' Initiatives (ECI)' and 'Deployment of online eIDs and digital signatures by way of implementation of the eIDAS Regulation by the European Parliament and the Commission' will provide much

	<p>welcome funds for the Commission work in this domain.</p>
<p>6.</p>	<p><b><i>What is your assessment on the current regulations with regards to the equal treatment of staff members regardless of sexual orientation and what contributions will you make to provide equal treatment to Commission staff members in particular those form the LGBTI community?</i></b></p> <p>With respect to staff members from the LGBTI community, the Commission strictly adheres to a non-discrimination policy. Commission's internal rules and practices in the field of human resources have been designed and are implemented to comply with the non-discrimination principle. Personally, I have always supported policies and legislation in favour of LGBTI during my political career.</p> <p>Under the Staff Regulations, registered partnerships, recognised by the competent authorities of a Member State, may also be recognised by the Commission in order to enable the staff members concerned to receive either part (partial partner-spouse equivalence) or all (full partner-spouse equivalence) of the entitlements offered to married officials and agents under the Staff Regulations. Full equivalence is in particular granted to registered homosexual partners who do not have access to legal marriage in a Member State, which is assessed on the basis of the legislation applicable to the couple in accordance with their nationality or place of residence.</p> <p>Staff members subject to harassment or inappropriate behaviour, including in relation to sexual-orientation matters, have the possibility to seek help through both an informal procedure, where a network of specifically-trained confidential counsellors intervenes to resolve the conflict and support the victim, or a formal procedure where an enquiry is made and disciplinary measures can be taken.</p> <p>Without forgetting about equal opportunities, I am firmly convinced that we should endorse an approach based on a more mature concept of organisational development which is Diversity and Inclusion. An inclusive working environment is one where no one feels the need to conceal any element of their identity, including related to sexual orientation, for fear of discrimination. The working culture based on the values of diversity and inclusion can be again reinforced, for instance through awareness raising events or training on diversity issues,</p>

including the LGTBI aspects.

I am fully aware that staff members from the LGBTI community may have particular concerns and experience practical difficulties. I am fully committed to listen to them. I know in this respect that I can count on non-profit associations, such as 'EGALITE' – Equality for Gays And Lesbians in The European institutions, to relay the concerns of the LGBTI community.