

Chairman of the Committee on Budgets  
Chairwoman of the Committee on Budgetary Control  
Chairman of the Committee on Legal Affairs

Ref.: D46088(2014)

~~CONFIDENTIAL~~ 315401 03.10.2014

Jerzy BUZEK  
Chair  
Conference of Committee Chairs

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ACCES RESERVE

Dear Mr Buzek,

In accordance with Rule 118 of the Rules of Procedure of the European Parliament, the Committee on Budgets, the Committee on Budgetary Control and the Committee on Legal Affairs held a public hearing on Thursday 2 October 2014 with Mrs Kristalina Georgieva, Vice-President-designate, who, subject to the positive outcome of the nomination procedure, will be responsible for Budget and Human Resources.

Prior to the hearing, Parliament had sent the Vice-President-designate a list of written questions. Our committees noted that Mrs Georgieva answered these questions and dealt with the priorities outlined satisfactorily. Members of the Committee on Budgetary Control pointed out that nevertheless certain written replies were vague.

*As far as the Committee on Budgets is concerned:*

Mrs Georgieva opened the hearing by making a statement in which she referred to the following:

- The relevance of the EU's budget in the EU's recovery and competitiveness as well as in people's lives;
- The need to overcome the shortage of payment appropriations by applying the flexibility foreseen in the MFF;
- The mid-term revision of the MFF, notably to orient it further towards jobs, growth and competitiveness and to examine how to align the next MFF with the political cycles of the Institutions – she pledged to take up the promise of the outgoing Commission to table a proposal for a revision;

- Her contribution to the high-level group on own resources, and the fact that it will feed into the mid-term revision and the preparation of the next MFF;
- Intensive consultations before making proposals on the next MFF;
- The need to leverage EU money much more than in the past, by shifting part of the grants to more innovative financial instruments (which will play an important role in the EUR 300-billion investment package) and by investing in projects with multiple objectives and benefits.

Members asked questions on: structural solutions to the situation of payments and details about the plan to "prioritise" payments; whether she will stick to the Commission's proposal in the conciliation on the 2015 budget; the MFF mid-term review/post-electoral revision, including its calendar and the review of national allocations in cohesion policy; the EU budget contribution to the EUR 300-billion investment package, its democratic control and effective implementation; the development of innovative financial instruments; the own resources system and the high-level group; the solidarity dimension of EU budget (development aid, peace-building, fisheries, migration) and the trade-off with other policies (Frontex); gender budgeting; the reduction of administrative expenditure, the number of EU agencies and the EP's seat; the credibility and transparency of EU institutions; information and visibility of EU action for citizens; the Youth Employment Initiative; the greening of the EU budget and climate change; the distribution of competences between levels of power (subsidiarity); evaluation criteria for EU projects; the appropriate size of the EU budget; ways to build trust between EU institutions and to streamline the budgetary procedure.

In her answers, Mrs Georgieva outlined her threefold approach on payments:

- first, melt down the accumulated bills through the ongoing DABs (including the mobilisation of the contingency margin) and the 2015 budget;
- secondly, structure the projects to implement them efficiently;
- thirdly, address this issue during the mid-term revision.

In reply to further questions on this issue, she specified what "prioritisation" of payments means, namely measures to better plan and implement payments and manage the credits available in spending DGs, for instance by prioritising certain activities and by distinguishing those partners who can bear delayed payments and those who cannot.

With regard to the revision of the MFF, she pledged to take the task very seriously as of her first day in office. She stressed the importance of demonstrating the performance of the EU budget in order to convince Member States of the case for additional resources.

Concerning the EUR 300-billion investment package, she pledged to cooperate with Vice-President-designate Katainen in order to come up with a proposal within three months. She proposed to fully use, and improve the leverage of, the existing financial instruments with a view to generate more investment. She referred to the hearing of Mr Katainen for more details on this package.

On the leveraging effect of innovative instruments, she suggested removing constraints so that investments can flow. On the basis of her experience in the World Bank and personal commitments, she said that it was possible to combine flexibility with strong control systems.

When it comes to own resources, she was hopeful that the work of the high level group would result in viable proposals, beyond the ones which are already on the table. She committed to work in the high level group together with Vice-Presidents-designate Timmermans and – possibly – Katainen. She stressed that the revenue side of the EU budget was too complex, and that a better own resources system would help alleviate the tension between net payers and net beneficiaries, and define more clearly the value of the EU budget for citizens.

She also provided the following answers and commitments:

- She stressed the important role of the EU budget in fighting poverty through cohesion and social funds and by unleashing the potential of our entrepreneurs;
- She stressed her commitment to the principle of gender mainstreaming in EU instruments and policies as a matter of performance of the economy, and pledged to engage with Member States on this topic;
- On the reduction of administrative expenditure, she recognised that there was still space to reduce barriers across DGs (thanks to the new Commission's structure), to make them more flexible and to achieve savings through better management;
- She agreed that transparency of EU institutions was the best way to protect the EU's money from abuse, as long as transparency is also user-friendly;
- On agencies, she said each of them had been created for a reason, namely to address a particular problem, but recognised she needed to learn more about it;
- She said the Youth Guarantee and Youth Employment Initiative were very good schemes. She showed openness towards a possible extension based on a careful assessment;
- She spoke in favour of a greening of the EU budget, notably by putting climate change at the centre of her approach by "multiple objectives";
- She recalled that the EP's seat was a matter of Treaty change;
- On the size of the EU budget, she regretted that the MFF was lower than initially proposed by the Commission;
- She regretted that not enough was said about the EU success stories to regain citizens' trust in the EU;
- In reply to a question about Frontex and development aid, she spoke in favour of a three-prong approach: improve the conditions in the countries of origin; cooperate internationally against smuggling; help the people concerned after their arrival in Europe;
- On subsidiarity, she stood as a firm believer that power should be exercised at the lowest level possible, referring to the new post of Vice-President for Better Regulation, and stressed the importance of cooperation with National Parliaments;
- On the budgetary procedure and the 2015 budget, she set as first objective striking a deal in conciliation and, in the longer run, working out better processes and more rational budgetary negotiations.

*As far as the Committee on Budgetary Control is concerned:*

In her introductory speech, Ms Georgieva addressed various issues, in particular the fight against the misuse of funds, the need to increase the responsibilities of Member States in the implementation of the EU Budget and the fight against fraud through the intervention of an independent OLAF.

Members placed the following questions:

- European added value of EU public investments;
- The efficiency of EU agencies;
- Transparency in the delivery of EU funds;
- 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 achievement of political goals;
- The use of National declarations;
- The implementation of the principle of naming and shaming in shared management;
- How to cut wasteful spending;
- The harmful effect of European investment in terms of relocation;
- The assessment of the OLAF performance: how to ensure a smooth relationship with its Supervisory Committee and how to improve the working of the latter committee;
- The fight against corruption and tax evasion and help Member States tackle the fight against organised crime,
- How to shorten the response time of irregularities, improve and implement corrective measures;
- Necessary improvements on the Commission and Eurostat's verification of Member States' GNI data; and
- Protection of Traditional Own Resources in terms of fraud, especially regarding the informal/grey economy.

During the hearing, the Vice-President-designate showed good communication skills and committed herself to close cooperation with the European Parliament and the Committee on Budgetary Control. She attached high importance to transparency, zero tolerance to fraud, robust management systems including the implementation of national declarations. She would pay close attention to error rates in shared management in close cooperation with the Court of Auditors and would ensure a better follow-up of its recommendations. She was convinced that a stronger performance culture is needed.

*As far as the Committee on Legal Affairs is concerned:*

Mrs Georgieva opened the hearing by making a statement in which she referred to the importance of building the attractiveness of an EU career, and to capture the diversity and the experience in the EU. She welcomed the target of 40% of female senior and middle managers in the Commission and she promised to work for it. She insisted of her will to promote mobility and agility in staff, putting their skills to the best possible use and favouring internal redeployment. She acknowledged the need to bring in, retain, develop and promote excellent men and women, especially as we are soon to face in bulk retirement of highly qualified and experienced staff.

Members asked questions on her ideas on ways of improving performance, efficiency and inclusion with the new Staff Regulations and on how to achieve the desirable geographical balance in staff, while at the same time ensuring that recruitment and promotion are based on merit. She was asked about her plans to strive for a Law of the Administrative Procedure based on Article 298 TFEU, which could make it possible for citizens to know their rights and would help in addressing conflicts of interest. Finally, she was asked about the problems and future of the European Schools in a context of budgetary constraints.

Mrs Georgieva provided the following answers and commitments:

- She would strive for diversity and inclusion;
- She would try to address geographical imbalances in entry levels by visiting universities and organising specific competitions. However, she recognised the fact that some nationalities are not attracted by a EU career;
- She will use all existing possibilities in the Staff Regulations in order to promote the most deserving faster, as the geographical imbalances exist mainly in middle management;
- She promised to contact Vice-President Timmermans on the Law of the Administrative Procedure and promised to come back to the Parliament on it;
- She acknowledged the problems regarding European Schools, while recognising that they were part of the attractiveness of an EU career, and she promised to pay special attention to the issue.

On the basis of the responses of the Members present at the hearing, as well as the comments made by our committees' coordinators, who met after the hearing under our chairmanship, we hereby give the following assessment:

*As far as the Committee on Budgets is concerned:*

The representatives of the political groups in the BUDG Committee acknowledged the experience, competence and credibility of Mrs Georgieva as well as her openness to cooperation with the Members of the Parliament. Her personality was judged positively in the light of the challenge of negotiating with the Council. Her precise knowledge of the Commission is an asset. Nevertheless, they regretted the rather vague answers she provided on some priority issues, notably with regard to the EUR 300-billion package and the situation of payments. They felt she could have gone further in terms of political commitments.

*As far as the Committee on Budgetary Control is concerned:*

A large majority of the Members shared Ms Georgieva's vision and priorities.

However, some Members thought that she could have given more detailed answers, in particular regarding the relationship between OLAF and its Supervisory Committee, and how the shift in EU spending culture from input to output and effectiveness should take form.

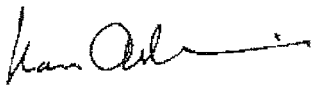
Members of the Committee on Budgetary Control are looking forward to working together with a *"reform Commission"*.

*As far as the Committee on Legal Affairs is concerned:*

The Commissioner-designate showed a full commitment to the allocation of human resources where needed and thus ensuring efficiency. She also showed full awareness of the existing lack of geographical balance in staff and had clear ideas on how to address it. As regards the possibility of a Law of the Administrative Procedure, she acknowledged the relevance and promised to study the dossier with Vice-President Timmermans. While she was not fully aware of the problems encountered by the European Schools, she showed commitment to pay special attention to the dossier. In conclusion, the overall evaluation is that she showed herself suited for handling Human Resources portfolio in the incoming Commission.

Overall, the political groups support the appointment of Mrs Georgieva as Vice-President responsible for Budget and Human Resources.

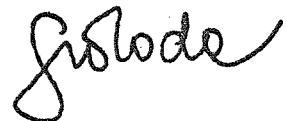
Sincerely yours,



Jean Arthuis



Ingeborg Gräßle



Pavel Svoboda