CONFERENCIA

"EU Budget: transparent tool at the service of Europeans"

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Commissioner for Financial Programming and Budget.

Madrid, 17 de febrero de 2014

Introduction

Dear Minister, Ladies and Gentlemen,

Thank you for inviting me to speak at this conference today. I am very pleased, at the start of this new 7-year period to share my views on some important features of the EU budget.

PART 1 - EU budget as budget for European citizens

Today we are at the starting point of the new Multiannual Financial Framework: we have an agreed vision of European finances until 2020. Over the next 7 years Europe will invest almost 1 trillion euros in growth and jobs1. One could say that this represents only 1.00% of the Union's GNI in commitments and 0.95% in payments, but I am convinced that it will have substantial positive impact on the ground thanks to its concentration on specific targets.

Despite its relatively small size, the EU budget will provide a precious medium-term investment horizon. It will concentrate on the Europe 2020 priorities and it will fund investments, particularly where other public funding possibilities are scarce.

Compared to the previous framework, some 37% more will be spent on Competitiveness for growth and jobs. This means 34 billions more2 in financing instruments for Research and Development, SME's, Education and the Connecting Europe Facility. Through the Erasmus+ programme more than 4 million people will receive support to study, train, work or volunteer abroad. The new programme for research and innovation, Horizon 2020, will support more than 65 000 researchers. This will make a difference in creating new growth and jobs in Europe.

With nearly 367 billions3, the reformed cohesion policy will be the EU's most important investment tool for delivering the Europe 2020 goals. Each Member State will discuss with the Commission its vision and sign a Partnership Agreement. New cohesion policy will be more result-oriented and a new performance reserve in all European Structural and

[1] To be precise: 960 billion euros in commitments and 908.4 billion euros in payments.
[2] In 2011 prices.
[3] In current prices.

Investment Funds will incentivise good projects and efficiency in cohesion policy. The new Youth Employment Initiative, worth at least 6 billion, will support the implementation of the Youth Guarantee in the years 2014-20.

A greener and fairer Common Agricultural Policy (CAP) will better respond to our citizens' expectations and remain an essential driver for jobs and smart, sustainable and inclusive growth.

The enhanced use of innovative financial instruments such as loans, guarantees, equity and other risk-sharing instruments will be an important catalyst for leveraging investments in pioneering SMEs, research and development projects, energy efficiency and key infrastructure. They mobilise investments which otherwise would not take place. For example, the Commission's new SME Initiative will support bank lending to SMEs in Member States particularly affected by the financial crisis through partial loan guarantees and securitisation instruments. Project Bonds provide alternative financing possibilities for long term infrastructure projects such as railway lines, motorways and energy transmission networks.4 All these instruments will increase leverage of EU budget in the next 7 years.

Also, on top of the MFF ceilings, if fully activated, instruments for unforeseen circumstances (like the Emergency Aid Reserve, the European Globalisation Fund, the Solidarity Fund and the Flexibility instrument) and the European Development Fund, will represent nearly an additional 37 billion (or 0.04% of the EU's GNI).

The newly introduced "Global Margins" will make it possible to transfer from one budgetary year to the next any unused commitments and payments left under the ceilings5. This will significantly facilitate budget implementation.

We also had a close look at simplifying the rules - the Commission scanned 40 funding instruments to look for simplifications. Less burdensome and less costly procedures will result in better spending, improved delivery, broader and easier access to EU funds. There will be simplification for example for EU researchers with single refund rate, cohesion beneficiaries will benefit from e-Cohesion – fully electronic management of grant applications and binding 90-days time-limit to get refund. The simplification effect will however depend a lot on the attitude taken by national administrations.

PART 2 - EU budget as result of democratic process

Let me present now some main characteristics of the EU budget.

The EU Budget is a result of a complex and very unique democratic process.

[4] Financial instruments will be used in programmes such as COSME to promote competitiveness of enterprises and SMEs and to improve the SME access to finance, Horizon 2020 for Research & Innovation, Erasmus+ and the Connecting Europe Facility for infrastructure projects.

[5] the so-called Global Margin for commitments and Global Margin for payments

Starting with the MFF, it took more than 2 years to reach an agreement because of highly complex negotiations. Stakeholders and citizens were consulted prior to the Commission proposal for the legislative package6. Afterwards, long discussions took place with all the Member States in the Council, with precise political orientations unanimously given in the European Council position of February 2013. During the last year there was negotiating with the European Parliament who finally gave its consent to the MFF regulation and successfully co-decided on all sectoral legislative proposals.

Let me say a few words about the annual budget procedure:

The Commission presents the Draft Budget for the year to come usually in April. It has to be in line with the MFF programming. It is then scrutinised from all angles – not only by the representatives of the Member States in Brussels and the European Parliament, but also by the national Parliaments in the capitals who are given 8 weeks to comment.

The annual budget negotiations are not always an easy process – every year the Commission, Parliament and the Council spend long hours in the Conciliation meeting – this year the final agreement was reached after 3 o'clock – in the morning. However, this process certainly ensures a balance of decision-making power, increases the democratic control, and leads to shared responsibility for the decisions taken.

PART 3 - EU budget as accountable tool

The Discharge Process

The second characteristic of the EU budget is its democratic accountability: the Commission is accountable for execution of the budget each year before the European Parliament who grants the final discharge.

Within 6 months following the end of the financial year, the Commission produces activity reports for all policy areas and a synthesis report of its management achievements.

These reports, together with the annual accounts, are subject to an external audit by the European Court of Auditors. The Court then provides the European Parliament and the Council with a statement of assurance (DAS) as to the reliability of the accounts and the legality and regularity of the underlying transactions.

Furthermore, the Court examines whether the financial management has been sound and it reports on cases of irregularity.

Usually in November the President of the Court presents the Annual Report, first before the Budget Control Committee of the Parliament and then before the Plenary. In these public meetings, the Members of Parliament set requirements that the Commission has to address immediately in order to obtain discharge. This year for example the Parliament asked for more details about the Commission's intention to introduce net financial corrections to be

[6] June 2011: MFF regulation and the sectoral legislative proposal

imposed on Member States with weak management and control procedures. In reply to that, last December, the Commission produced and published a dedicated communication on the application of net financial corrections on Member States for Agriculture and Cohesion Policy.

The Parliament then organizes hearings with the most concerned Commissioners.

In the discharge process, the Council adopts its own recommendation. The Parliament finally votes its resolution on discharge usually in April.

The role of Member States in shared management

As you know, the accountability of the EU budget depends on the efforts made by Members States – given the fact that 80% of the EU budget, especially in the field of Cohesion and Agriculture - is managed and implemented by the Member States themselves. The Commission is, according to the Treaty, responsible for the execution of the budget BUT it has to rely on the management and control systems of the Member States. The Member States are there to prevent, detect and correct errors and irregularities at the level of the beneficiaries.

Within this optics, the Commission ensures an overall supervisory role by auditing Member States' systems. If significant system weaknesses and errors are detected financial corrections have to be applied by the Commission. The main objective of financial corrections is to protect the EU budget from errors, irregularities and fraud. They are the last stage in the chain of control systems.

To show you the level of gravity, you should note that the recovery of undue payments with financial corrections and other recoveries amounted to EUR 4,4 billion in 2012.

Unfortunately, still too many errors occur in the implementation, which be avoided. The Court of Auditors concluded that, in 2012, for more than 50% of interventions in the Cohesion area, the controls at Member State level should have detected and corrected the errors, and this before the expenditure was declared to the Commission. This explains the interest of the Parliament for the introduction of net financial corrections in the field of Cohesion as an incentive to better manage EU funds.

It is my deepest hope as a Commissioner responsible for Budget that there will be no need to proceed with corrections thanks to mobilisation on the side of Member States.

The new Programming Period and the reform of Financial Regulation

Apart from the incentive of net financial corrections, the new programming period 2014-2020 will bring about numerous improvements in the field of Cohesion policy:

- simplified cost options,
- new management framework covering the period July-June,
- 10% retention mechanism,

- new annual management declarations,
- independent audit work and audit opinion on the accounts.

All these elements in combination will bring the error rate down and ensure the legality and regularity of expenditure made from the EU budget.

Of course the low error rate is not a goal in itself. I am convinced that for the next period the Commission will have to put more attention to the performance of European programmes – the EU budget has to be used in the most effective, efficient and economical way. This new approach, focusing on value for money and questioning the EU budget's actual performance will be much more evident in the European budgetary debate over next years, rather than concentrating on error rates.

PART 4 - EU budget as a transparent tool

Another main characteristic of the EU budget is its transparency. It is essential in Europe of 28 democratic states. I know that the issue of transparency is currently also high on the Spanish agenda – let me illustrate my intervention with some examples.

2005 European Transparency Initiative7 – ground-breaking step forward

I will start with the European Transparency Initiative. The discussions on transparency in the EU opened back in 1992. This process led to the adoption of the European Transparency Initiative (ETI) in November 2005. This was a ground-breaking proposal where the Commission made concrete initiatives in the following thematic areas:

- Publication of beneficiaries of EU funds
- Deterrence of fraud through blacklisting of fraudsters
- Sound relations with lobbyists through registration and the respect of a code of conduct[8]
- Professional ethics of holders of public office
- A register of the Commissioners' correspondence in the context of the 'Access to documents' legislation.

Financial Transparency System9 – websearching beneficiaries of EU funds

Following the adoption of the European transparency initiative the Commission started to develop a search system which could provide detailed information about the beneficiaries of EU funding. This was considered to be a key instrument in opening the EU budget to public scrutiny and making all institutions involved in its management accountable, in the era of the Internet.

[7] http://ec.europa.eu/citizens-initiative/public/welcome?lg=es
[8] http://ec.europa.eu/transparencyregister/info/homePage.do?locale=es#es
[9] http://ec.europa.eu/budget/fts/index_en.htm

The Financial Transparency System since 2007 provides information on the beneficiaries of EU funds directly managed by the Commission and since 2010 on those from the European Development Fund - which is not part of the EU budget.

This search tool enables anybody connected to the Internet to easily find the names of beneficiaries of EU funding. It provides information on the year, the amount awarded, the name and address of the beneficiary, the subject of grant or contract, the budget line name and the responsible Commission department. The information is updated on a yearly basis by the end of June (summary below in italics).

Information provided by Financial Transparency System (summary)

- *who receives the funds (beneficiary)*
- *subject, i.e. the purpose of the expenditure*
- *where the beneficiary is located (country, if they are natural persons the information on location is limited to region according to the NUTS2 classification, post code)*
- *amount and type of expenditure (operational vs. administrative)*
- *which responsible department (directorate-general (DG) or agency) awarded the funding*
- *which part of the EU budget (budget line) it comes from*
- *when (year) the amount was booked in the accounts*

the following will also be given, if available:

- *type of action, usually the relevant EU programme*
- *coordinator – the beneficiary responsible for redistributing funds in a multi-beneficiary project.*

Despite the fact that Financial Transparency System covers only around 15% of the EU budget, it manages considerable quantities of data. The data on 2012 EU budget represent more than 55 thousand (55329) rows of data and the total amount is more than 20 billion EUR (20 493 684 889).

When an institution shares information with ordinary citizen, it is not only about just opening up. The information should be offered in such way that anybody can easily understand how to find it, how to use the system.

As for EU funds implemented indirectly by our implementing partners (Member States, third countries, international organisations, etc.), the transparency requirements constitute a pre-condition for the delegation of implementation of EU funds, but the Commission is not the owner of the detailed data. Under the new legal provisions for cohesion funding the

Commission has introduced increased transparency requirements for the national managing authorities of EU funds and the Commission provides a portal access to this information[10].

EU financial statements

Let me say a few words about the financial statements. EU financial statements are the result of the modernisation of the EU accounting system more than a decade ago. They are prepared and presented on full accruals-based accounting based on the internationally accepted standards for the public sector known as IPSAS [International Public Sector Accounting Standards]. These standards ensure not only transparency but they demonstrate to our stakeholders that the Commission uses independent and high quality standards for the reporting on the implementation of the budget.

The annual financial statements aim to present, in a true and fair manner, the nature and range of the activities of the institutions, to explain their financing methods and to provide information on the way in which their activities were carried out.

This makes the EU one of the first public sector organisations worldwide to present accruals-based financial statements based on IPSAS. The annual accounts are instrumental in achieving better governance and transparent financial management, as they provide the following:

- Better financial information and monitoring of on-going projects financed by the EU budget
- Reliable and complete information on the implementation of the budget
- Exhaustive list and follow-up of assets, liabilities and revenues and expenses
- A complement to the multi-annual vision of the budget
- Improved transparency of public sector financial management; and
- Comparability between public sector entities.

The annual accounts are adopted by the Commission and presented to the Court of Auditors for audit and finally to the European Parliament and Council as part of the discharge process. Since 2007, the EU has received an unqualified audit opinion on the reliability of its annual accounts from the European Court of Auditors.

The annual accounts of the European Union are translated in all the official languages of the EU, published in the Official Journal of the EU, and freely accessible on the website of the European Commission.

One of the lessons learned from the financial crisis is that governments need transparent and reliable information on the financial situation of Member States. In this context the Commission has taken the right of initiative and proposes the introduction of

[10] http://ec.europa.eu/contracts_grants/beneficiaries_es.htm

harmonised European Public Sector Accounting Standards for all EU Member State[11]s. These European accounting standards can serve as a basis for fiscal surveillance in the EU and a basis for governments' decisions.

Financial Report – an interactive transparency tool12

The EU financial report provides an overview of the annual budgetary cycle. The report describes the way the EU budget was managed throughout the year. It identifies the sources of revenue, and offers information on EU expenditure according to the budgetary headings and subheadings of the relevant multiannual financial framework. Data is also structured according to the allocation of expenditure by each Member State. Since 2011 the publication comes in an electronic version with interactive tables making it possible to compare data across a wide range of criteria.

The report also traditionally provides the information on the so-called "operating budgetary balances" - the difference between what Member States contribute to the EU budget and the amount of EU funds they receive. This information is very interesting to those Member States who call themselves the "net beneficiaries" to the EU budget.

In the table you will see in terms of GNI the Spanish "net" position oscillates in the middle of EU Member States, which is contrary to the value in euros where Spain belongs to the biggest "net beneficiaries".

These examples demonstrate the degree of transparency of our information. However, it is important to be aware of the downside of such reporting. The statistics on the so called operational budgetary balances gives an incomplete picture and does not provide information on the cost or benefits of being in the EU, and on the EU added value for which we still have not found an easy way to a present statistical quantifier. Our data cannot measure financial benefits which a Member State derives from the internal market. Neither can we provide the sum of profit companies from the so called "net contributing" countries receive thanks to their participation in projects financed by EU money in the "net beneficiaries" Member States.

Just to give you an example, according to a study by Poland's regional development ministry undertaken in cooperation with the Czech Republic, Slovakia and Hungary and published in 2012, each euro that Germany pays into EU cohesion funds generates 1.25 euros in revenues from exports to these four countries, with the Netherlands ranking second earning 0.83 euros and Finland third with 0.58 euros per invested euro.

Impact of financial transparency

Financial transparency has become the norm for the European Commission. It pursues important political aims such as countering some of the myths about the so-called 'massive

[11] COM(2013)114, of 6.03.2013

[12] Source: http://ec.europa.eu/budget/figures/interactive/index_en.cfm

abuse and mismanagement' of EU funds which is so often repeated by radical Euro-sceptics. It is also a tool to prevent and deter fraud.

In relation to the recent economic crisis which hit Spain somehow harder than many others, many experts name financial transparency as an important element in the anti-crisis measures adopted by the authorities. The positive effects of free, open and correct information related to financial information, tender procedures, beneficiaries, on economic situation are without doubt. In this respect, the Commission sees the recent initiatives of the Spanish authorities as a very positive step forward.

PART 5 - EU budget as budget for Spanish citizens

Finally, let me shortly present in a snapshot what the Spanish citizens can expect from the EU budget in the coming years.

As was the case in the past, the new multiannual financial framework will bring important benefits to Spain, not least through the spending programmes of the Cohesion and Common Agricultural Policies.

Cohesion Policy aims at strengthening the economic and social cohesion within an enlarged Union. Spain was for decades among the main recipients of EU Cohesion Policy. As prosperity rose in Spain prior to the economic crisis and the Union was enlarged by Member States mainly consisting of less developed regions, the relative wealth of Spain increased. Therefore, Spain's relative share of Cohesion Policy funding could be expected to decrease.

Still, Spain achieved an excellent result in the final outcome of the new multiannual financial framework. In addition, due to the severe consequences of the economic and financial crisis for Spain, the Member States showed strong political commitment to allocate additional financial funds to Spain.

As a consequence, Spain will be the 3rd most important recipient of cohesion funding during the next MFF in absolute terms. And Spain will benefit from an additional allocation of 1.8 billion euros from the Structural Funds on top of the cohesion money allocated to Spain on the basis of the agreed allocation method. Also, the creation of a new category of transition regions with an increased unemployment premium of 1100 euros per person substantially increases Spain's cohesion allocation. More than 1/3 of these regions are situated in Spain.

Moreover, to take account of the particularly difficult situation of certain countries, such as Spain, the Commission will review in 2016 all Member States' total allocations under the "Investment for growth and jobs" goal of the cohesion policy for 2017-2020.

To better target and amplify the available support from the European Social Fund for the Youth Guarantee, the Council and the European Parliament agreed to create a dedicated Youth Employment Initiative (YEI) for the regions most affected by youth unemployment. Nearly 30% of the total available amount will be used to help young people in Spain, who are not in employment, education or training by supporting job provision, traineeships and apprenticeships or business start-up. For regions where the youth unemployment rate exceeds 25 %, Spain will have the possibility to spend a total of almost 2 billion euros in current prices for the Youth Employment Initiative. The level of support per young person is sufficient to make a real difference.

Furthermore, some provisions agreed under the new cohesion regulations will also be of interest to Spain: for instance, VAT will be eligible for funding where it is not recoverable under the Spanish legislation and a general “N+3” de-commitment rule will reduce the risk of non-committed funds being lost.

For the outermost regions, the European Council agreed to provide almost 1.4 billion of additional funding on top of the cohesion money allocated on the basis of the normal eligibility rules. More than 30 % of this money, some 430 million, will be for the Spanish outermost regions.

Also for its farmers, who rely on support from the CAP budget, Spain achieved good results in the MFF negotiations. As for direct aids, Spain will maintain the relative share in the level of support during the period 2014-2020. Despite direct aids being cut globally, the level of direct payments per ha in Spain will not be very much affected. And, in any case, the new direct aids regime will offer an important margin of manoeuvre for taking into account regional specificities and specific groups, like small and young farmers.

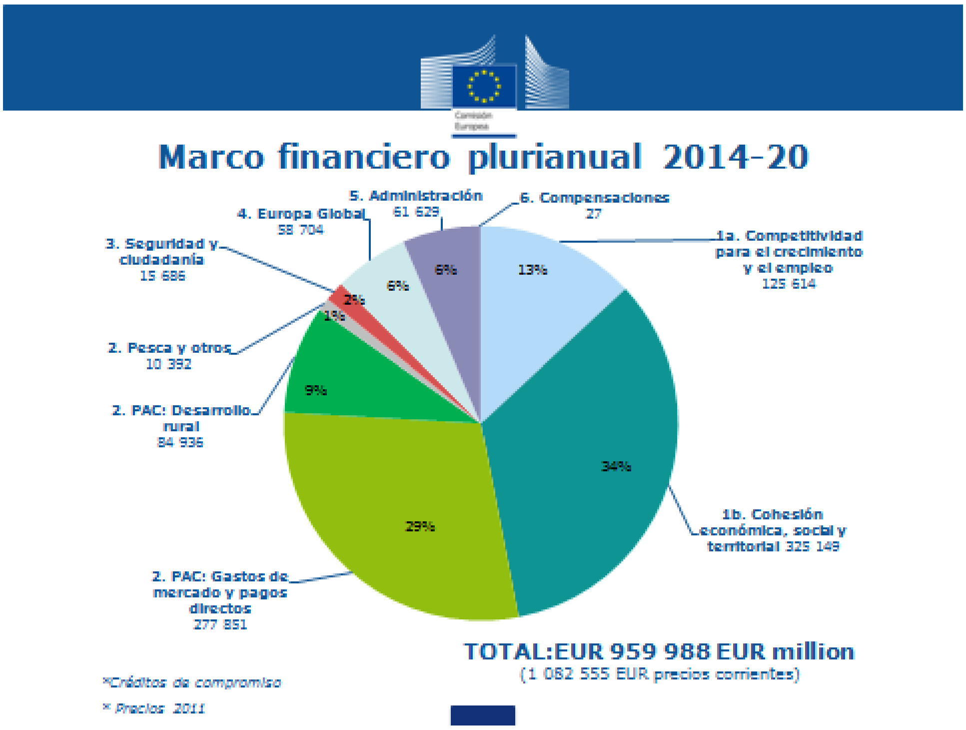
For its rural development policy, Spain obtained an additional allocation of 500 million euros in addition to its normal share of rural development funding based on objective criteria.

Conclusion

Minister, Ladies and gentlemen, I am pleased to conclude by saying that -although it was not easy to get there – we did it, Europe did it: the EU budget, in all its diversity, as the result of a democratic process and as an accountable and transparent tool, will continue to provide, in the next seven years, much needed investment opportunities to Spanish businesses, scientists, towns, regions and students at a time, when these investments are much needed. I hope and I wish that your country will use this chance to the maximum.

Thank you for your attention.

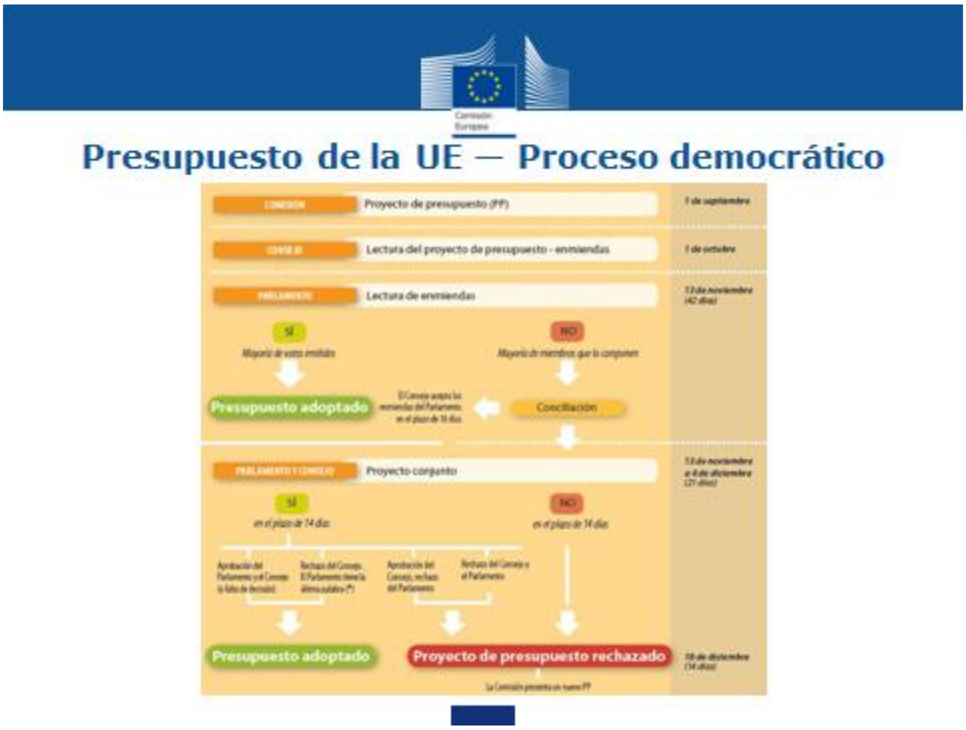

Comisión Europea
El presupuesto europeo – Una herramienta transparente al servicio de los europeos
Janusz Lewandowski
Madrid 17.02.2014


Comisión Europea
Marco financiero plurianual 2014-20
5. Administración 61 629
6. Compensaciones 27
4. Europa Global 58 704
3. Seguridad y ciudadanía 15 686
1a. Competitividad para el crecimiento y el empleo 125 614
2. Pesca y otros 10 392
2. PAC: Desarrollo rural 84 936
1b. Cohesión económica, social y territorial 325 149
2. PAC: Gastos de mercado y pagos directos 277 851
13%
34%
29%
9%
1%
2%
6%
6%
TOTAL:EUR 959 988 EUR million
(1 082 555 EUR precios corrientes)
*Créditos de compromiso
* Precios 2011

Marco financiero plurianual 2014-20: Mayor efecto, flexibilidad y simplificación de las normas

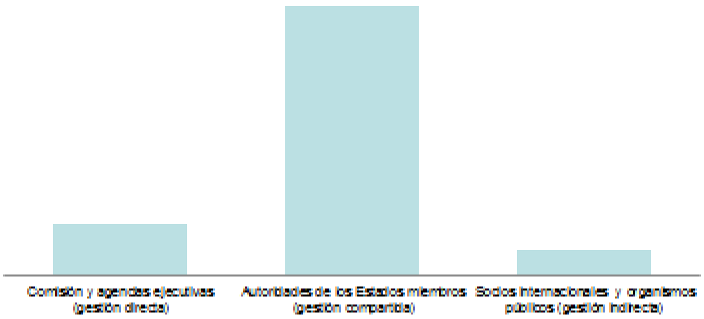
- Instrumentos financieros innovadores: préstamos, garantías, instrumentos de riesgo compartido
- Bonos para la financiación de proyectos
- Instrumentos flexibles: Reserva de Ayuda de Emergencia, Fondo Europeo de Adaptación a la Globalización, Instrumento de Flexibilidad, margen global del MFP
- Simplificación

Presupuesto de la UE — Proceso democrático


Presupuesto de la UE — Proceso democrático
Proyecto de presupuesto (PP)
Lectura del proyecto de presupuesto - enmiendas
Lectura de enmiendas
SÍ
NO
Presupuesto adoptado
Conciliación
Proyecto conjunto
SÍ
NO
Presupuesto adoptado
Proyecto de presupuesto rechazado


Presupuesto de la UE — Rendición de cuentas
A más tardar el 15 de noviembre de n+ 1:
Informe anual del Tribunal de Cuentas Europeo
Recomendación del Consejo
A más tardar el 15 de mayo del año n+ 2:
Votación del Parlamento Europeo sobre la aprobación de la gestión
➢Aprueba la aprobación de la gestióngestión
➢Aplaza la descarga: Votación en el período parcial de sesiones de octubre
➢Rechaza la aprobación de la gestión presupuestaria (excepcional)

Presupuesto de la UE — Rendición de cuentas
¿Quién gestiona los fondos de la UE?



Presupuesto de la UE — Mejora de la responsabilización 2014 +

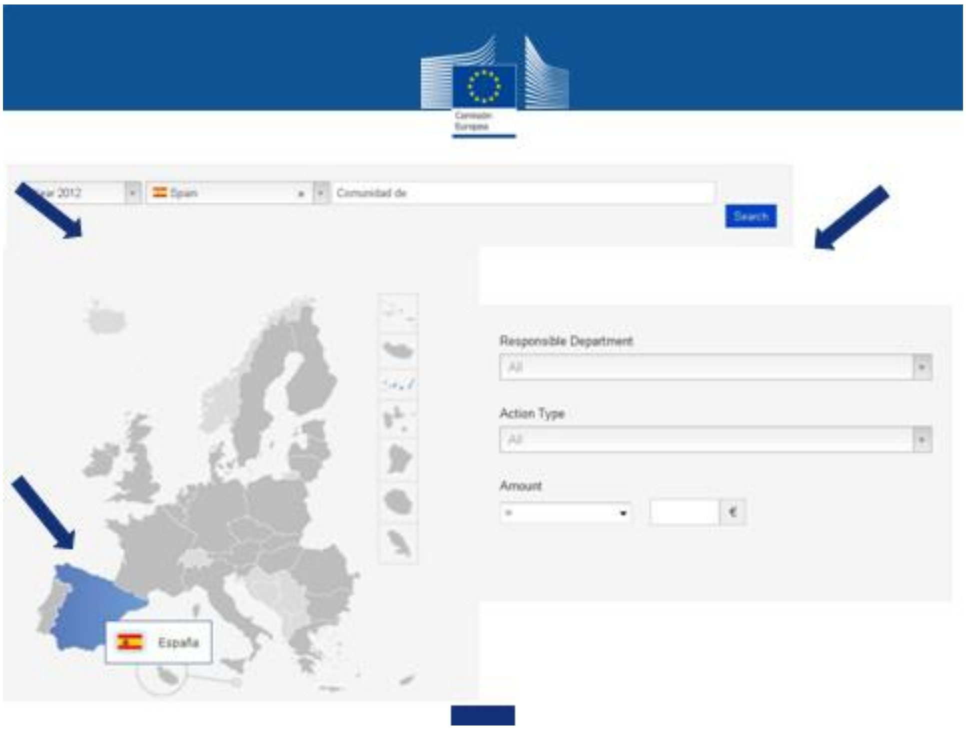
- Objetivo: Reducción de los porcentajes de error
- Objetivo: Rendimiento de los programas

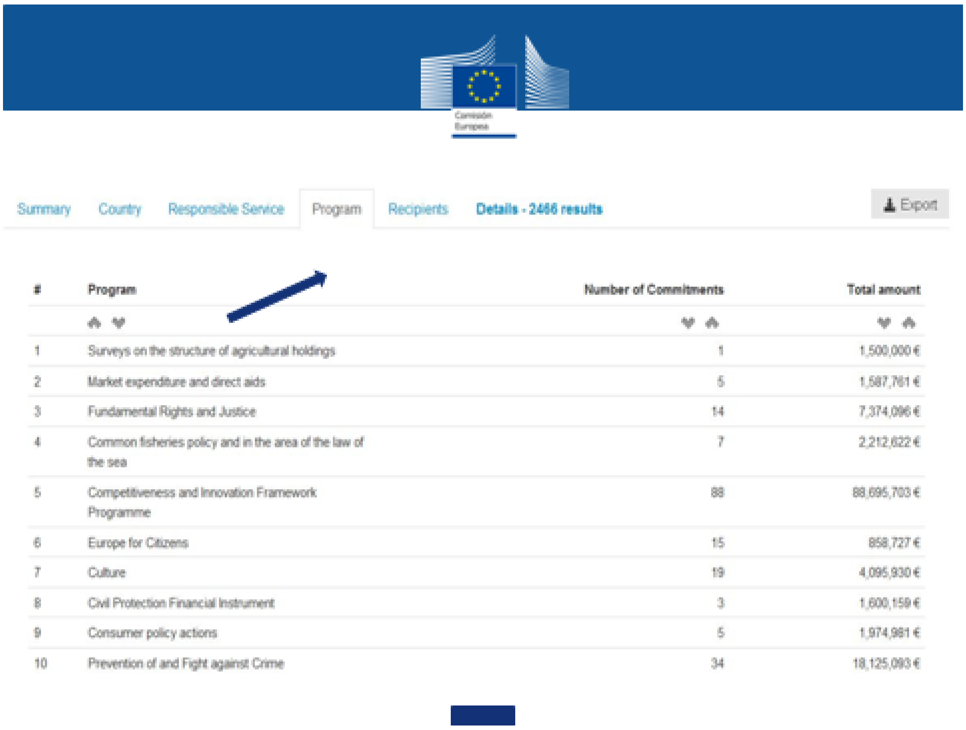
Transparencia en la UE

•2005 Iniciativa Europea en favor de la transparencia

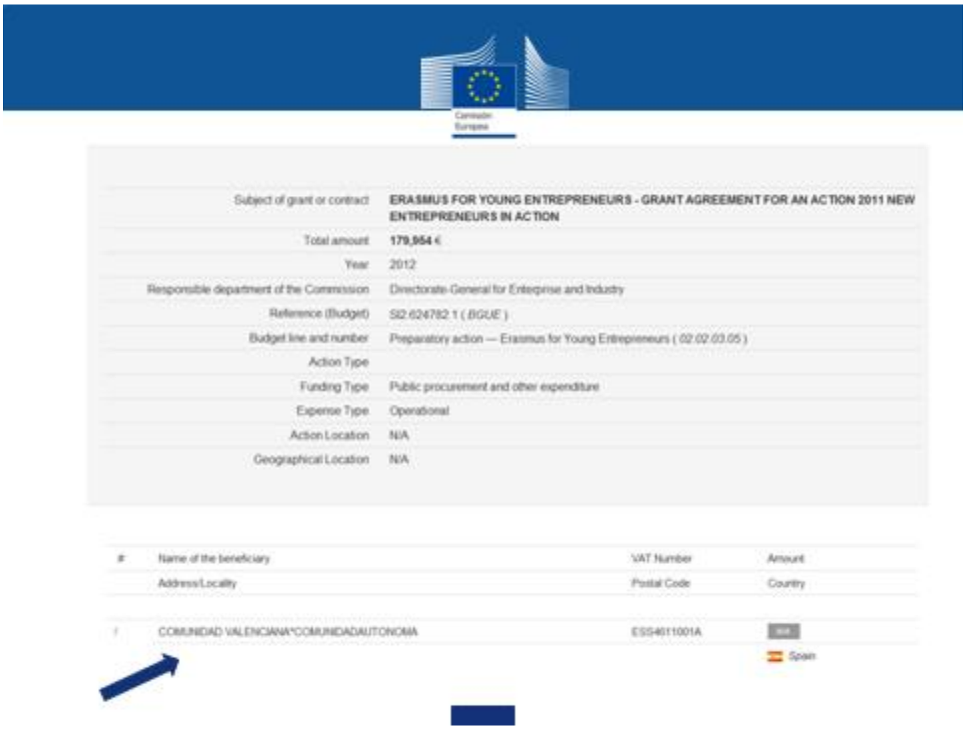
- ✓**Publicación de beneficiarios del presupuesto**
- ✓**Establecimiento de listas negras de defraudadores**
- ✓**Registro de los grupos de presión, código de conducta**
- ✓**Ética profesional**

Http:// ec.europa.eu/transparency/index_es.htm





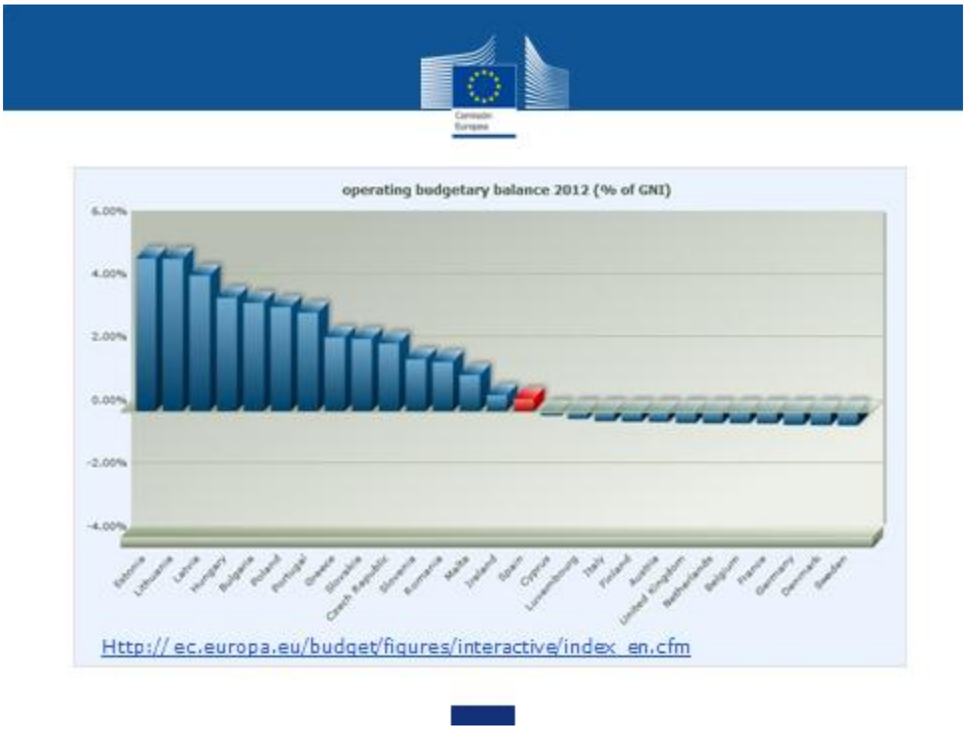
#	Program	Number of Commitments	Total amount
1	Surveys on the structure of agricultural holdings	1	1,500,000 €
2	Market expenditure and direct aids	5	1,587,761 €
3	Fundamental Rights and Justice	14	7,374,096 €
4	Common fisheries policy and in the area of the law of the sea	7	2,212,622 €
5	Competitiveness and Innovation Framework Programme	88	88,695,703 €
6	Europe for Citizens	15	858,727 €
7	Culture	19	4,095,930 €
8	Civil Protection Financial Instrument	3	1,600,159 €
9	Consumer policy actions	5	1,974,981 €
10	Prevention of and Fight against Crime	34	18,125,093 €



Subject of grant or contract	**ERASMUS FOR YOUNG ENTREPRENEURS - GRANT AGREEMENT FOR AN ACTION 2011 NEW ENTREPRENEURS IN ACTION**
Total amount	**179,954 €**
Year	2012
Responsible department of the Commission	Directorate General for Enterprise and Industry
Reference (Budget)	SI2.624782.1 (*BGUE*)
Budget line and number	Preparatory action — Erasmus for Young Entrepreneurs (*02.02.03.05*)
Action Type	
Funding Type	Public procurement and other expenditure
Expense Type	Operational
Action Location	N/A
Geographical Location	N/A

#	Name of the beneficiary Address/Locality	VAT Number Postal Code	Amount Country
1	COMUNIDAD VALENCIANA*COMUNIDADAUTONOMA	ES54011001A	Spain


Transparencia — Informe financiero
EU budget 2012
Financial Report
EU budget 2011
Financial Report
EU budget 2010
Financial Report


operating budgetary balance 2012 (% of GNI)
6.00%
4.00%
2.00%
0.00%
-2.00%
-4.00%
Estonia
Lithuania
Latvia
Hungary
Bulgaria
Poland
Portugal
Greece
Slovakia
Czech Republic
Slovenia
Romania
Malta
Ireland
Spain
Cyprus
Luxembourg
Italy
Finland
Austria
United Kingdom
Netherlands
Belgium
France
Germany
Denmark
Sweden
Http:// ec.europa.eu/budget/figures/interactive/index_en.cfm


España: 3 998
millones de euros
operating budgetary balance 2012 (Euro)
€ 18,300 M
€ 12,200 M
€ 6,100 M
€ 0 M
€ -6,100 M
€ -12,200 M
Poland
Portugal
Greece
Spain
Hungary
Czech Republic
Romania
Slovakia
Lithuania
Bulgaria
Latvia
Estonia
Ireland
Slovenia
Malta
Cyprus
Luxembourg
Finland
Austria
Denmark
Belgium
Sweden
Netherlands
Italy
United Kingdom
France
Germany
Http:// ec.europa.eu/budget/figures/interactive/index_en.cfm


Presupuesto de la UE — Un
presupuesto para España