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On administrative expenditure

*Check Against Delivery
Seul le texte prononcé fait foi
Es gilt das gesprochene Wort*

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Thank you very much for your invitation and the opportunity to discuss a part of the budget which is not very big, but politically very sensitive.

Approximately 94% of the EU budget goes directly back to the citizens, the regions or the Member States. The rest is administrative expenditure for the institutions and is needed to manage the 94%.

This is a large sum of money, around €8 billion per year, but it is a relatively small part of the entire budget.

We must also bear in mind that on the revenue side, about €1 billion of this sum comes from taxes and pension contributions paid by the staff of the EU institutions.

I want to highlight three points in my presentation: Why do we need administrative expenditure, what have we done to become more efficient, and how can we perform even better in the future?

On the first point:

Every organisation needs money for its own functioning and for fulfilling its tasks. Today, the administrative expenditure of the European Union means paying the "running costs" for around 60 EU institutions, agencies, joint undertakings etc. in all 27 Member States and for delegations in the entire world. This means that we are not just talking about the Commission and the European Parliament, but also about the EEAS or EU agencies, e.g. in Helsinki¹, Warsaw², Parma³ or London⁴. This represents around

¹ European Chemicals Agency.

55,000 active staff members and 20,000 retired staff members: officials, temporary agents, contract agents and also parliamentary assistants.

All these entities and their staff have been established and approved over the years by all of us, Parliament, Commission, Council and the Member States - and there has always been a good political reason to do it. It is clear that none of these institutions and none of our policies or programmes can work without a strong, competent and independent administration.

We can be proud of the results we get for the money: we have excellent staff from all 27 Member States who are in general among the best in their field of expertise and able to work in several languages. Our competition lawyers deal with the world's leading law firms and they usually win our court cases; our staff defend our positions in negotiations with international top diplomats on international trade or climate change, for example; our economists analyse and deal with the consequences of the current economic and financial crisis and try to help the Member States; and our staff make the complex multicultural machinery of the Commission, the Parliament and all the other institutions and agencies run rather smoothly.

Of course, this requires decent work places, modern IT systems, competitive salaries, continuous professional training, a budget for translation and interpretation and so on.

² FRONTEX.

³ European Food Safety Agency.

⁴ European Medicines Agency.

I don't now want to list every last detail of administrative expenditure, but we always must be clear what is behind this in practical terms.

Of course, administrative expenditure is not an end in itself and therefore we need a constant drive for efficiency. This leads me to my second point.

What have we done to increase the efficiency of the institutions?

We saw an unprecedented reform of the rules for the entire EU civil service in 2004. In some ways it was high time for a change, but in other aspects this reform was well ahead of its time. So, we didn't wait for a crisis to reform the civil service of the European Union.

This reform:

- cut several allowances and extra benefits for staff,
- it lowered entry salaries,
- it created a new performance-oriented career structure,
- it created for certain functions a new category of staff on a contractual basis with lower salaries and, later on, lower pensions,
- it increased the pension age from 60 to 63 years and reduced annual pension rights,
- it raised extra money for the EU budget through a special tax and higher pension contributions from the staff which are, at 11.6%, amongst the highest in Europe.

In total, this reform has brought savings of around €3 billion so far, and will save us another €5 billion until 2020 compared to a scenario without the 2004 reform.

But more efficiency and reducing total costs are sometimes two different things.

Despite these savings, the budget kept growing:

- Because of the creation of new institutions and agencies; and
- Because of staff numbers which have increased due to the creation of new administrations, due to the new tasks conferred upon the EU by the treaties and due to the historic enlargement of the EU to 27 Member States.

Today, the European Parliament has 52% more posts than 10 years ago; the Commission 21% more and the Court of Justice, the Committee of Regions and the European Ombudsman have doubled their staff.

All this means more salaries to pay, more office space, more IT, more training, more missions and so on.

But the Reform of 2004 was not the only measure for more efficiency which was taken.

- The Commission has applied a zero-growth policy for posts since 2007 - besides the additional posts directly linked to enlargement.
- We do annual screening exercises of staff numbers and try to cover new priorities through internal redeployments.
- We control the administrative organisation of the Commission with benchmarks for the size of units and directorates.

- For 2012, we managed to keep the administrative expenditure of the Commission at exactly the same level as in 2011.

- Finally, we have seen a growing number of service-level agreements between the Commission and other institutions which create efficiency gains, because the Commission manages certain processes for the other institution.

I don't pretend that we have created miracles, but we are moving in the right direction because we know that in every organisation there is potential for more efficiency.

This leads me to my last point: **What else can we do?**

When I spoke about the efficiency gains by the Commission, you must be aware that the Commission represents only 40% of heading 5. 42% goes to the other institutions, 15% is pension costs and 2% is for the European schools.

Therefore, my first proposal would be: some other institutions could also do screening exercises and look into how their administrative services are organised; the Commission cannot create all the savings on its own. The Commission is ready to provide its expertise on this, if necessary.

My second proposal is to identify further areas for efficiency gains in the Staff Regulations which can bring additional savings. We all can see what happens in the Member States and in national administrations and we cannot be out of touch with these developments.

Therefore, the Commission will propose a limited number of measures on this at the end of June after our internal analysis has been completed. And I will come back to you with a formal legislative proposal after the obligatory procedural steps to inform and consult the staff and the trade unions have been fulfilled. This will be at some point in time after the summer.

Let me add a third point which is very important for me as well: we must make progress in the interinstitutional High-Level Group on agencies. Not all administrative costs are under heading 5; and there is potential for more efficiency with regard to agencies as well. Therefore, I hope that the EP and the Council will support our attempts to make progress in this group.

Before I conclude, let me say a word of caution: I am in favour of increasing efficiency, following the trends in national and international administrations and applying to ourselves what we preach to others.

But in the discussion about heading 5, we have to be very careful. The Union administration - your own administration in the Parliament - is not exactly like a national administration. Compared to national administrations, we are rather small and we have very specific tasks, all stemming directly from the treaties.

A big block in heading 5 consists of legal obligations which we cannot touch. Pension rights are an obligation. Many staff are officials and you can only replace them when they retire; others have contracts which confer rights upon them. The rent for buildings has to be paid; pupils in the European schools have a

right to education and finally, an increase in inflation has a direct impact on many parts of heading 5.

In addition, the institutions recruit on a very small and competitive market: we need the best talents in various fields of expertise who are at the same time able to work in foreign languages and who are ready to move with their families to another country. This is not obvious and we have difficulties to attract people from all 27 Member States because the conditions we offer are not that competitive any more for this group of people since the 2004 reform. There are a lot of other competitors on the market: international organisations like the IMF and the World Bank, international companies and law firms, or - in a few Member States with high salary levels - even the national civil service.

Therefore, let me conclude by saying: we need "ambition with the right sense of proportion" - and I look forward to our discussions today and in the coming months about finding the right balance.