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Transparency against corruption and the perception of corruption

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

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Ladies and gentlemen,

The European Commission needs to fight not only corruption but also the suspicion of corruption. In this regard, transparency is a win – win for the administrations and the public alike. I firmly believe transparency to be the key-tool in fighting this double battle. In my intervention I will elaborate on this and will also take the opportunity to discuss the Commission's efforts towards increased transparency in the European Union.

Fulfilling my tasks as Commissioner responsible for Administration, Audit and the Fight against fraud, I am often confronted with **strong suspicion surrounding the activities of European Institutions**, especially the handling of finances by the European Commission.

For example, a Eurobarometer poll published earlier this year shows that 71% of respondents consider that corruption is present in the European Union Institutions.

However, this suspicion **contrasts with the experts view** by the European Anti-Fraud body OLAF which, on the basis of its independent investigations, considers that there is no reason to believe that corruption would be more widespread in the EU Institutions than elsewhere.

Additionally, let me present a quote from the report on Management and Audit of EU funds published last week by the UK House of Lords. The report finds that "much of the coverage in the press suggests that there is a significant culture of corruption in Europe's Institutions. Our investigation has uncovered no evidence to support this suggestion."

By highlighting this contrast I do not mean to argue that today's European Commission is corruption-free. No, there are still problems. For example, just recently there were two cases raised by the Belgian press. But I believe that the suspicion of corruption is much higher than the real problem at the EU level.

When reflecting on this issue, we see that **this high level of suspicion is, however, not surprising.**

First, to a large extent it relates to the unique governance structure and complexity of the EU.

- Take the structure of the European budget and its implementation for example. Whereas much of a national budget goes to paying directly for public services, the EU-budget is almost entirely composed of subsidies, and those are known to be more prone to fraud than other types of expenditure.

To continue, 80% of the EU budget is implemented not directly by the Commission but by Member States. This makes control mechanisms more complex and there is often insufficient "ownership" for money from Brussels. The Commission depends on Member States' authorities for sanctions; the latter, however, often does not take sufficient interest in a concrete case because the distance between spending responsibility and end-beneficiaries often leads to the perception that EU money is not taxpayer's money. This also leaves space for the understanding that it is a lesser crime to defraud EU money.

- European Union's decision-making processes are multi-layered and complex. They are different from what citizens are used to at national levels. Considering the Council of Ministers taking decisions behind closed doors or the obscure mass of 15 000 lobbyists operating to defend particular interests vis-à-vis the Institutions in Brussels, it is understandable the citizens are mistrustful.
- This complex governance structure entails convenient space for anti-EU rhetoric, not least in the form of national authorities blaming unpleasant decisions on Brussels. This all undermines the credibility of the EU.

Second, the regretful corruption/fraud cases from the past have given concrete reasons to be doubtful. The Commission in 1999 helped to build the view that there is a high level of corruption in the EU Institutions.

I cannot underline enough that **things have changed since 1999**. The Commission has implemented a large set of reforms to modernise its administration, to alter the structure of its control systems and also to change its culture.

The fight against corruption and fraud within the EU Institutions and bodies has become an absolute priority for the EU. We are practising a zero tolerance policy and we have a fully independent Anti-Fraud Service, OLAF, that is in charge not only of investigating fraud with EU money, but also any wrongdoing or professional misconduct in the EU Institutions. The Commission has also introduced a new accounting system, which gives a better and modern picture of our financial activities. We have an independent internal audit service, a disciplinary office, tough rules on awarding of contracts and subsidies and whistleblower rules.

In short, I am convinced that we have a solid system in place to detect wrongdoing and deal with it. Yet, I am not complacent. Fight against corruption within the EU system needs to continue.

This is where increasing transparency in decision-making processes and allocation of funds comes in. In a complex governance system increased transparency is a win-win situation: it is beneficial both for the administrations and for the citizens. Transparency plays a huge role in promoting a more citizen-friendly EU and therewith helps to increase public trust towards the Institutions. The EU needs the latter as it helps to "clear the fog" and focus the discussion on real issues to be resolved at the European level. As for corruption, transparency helps to both fight it and adjust the image of European Institutions as particularly corrupt entities.

The Commission had done substantial work to increase its transparency already before I took office. But based on my conviction that many more practical steps could be taken throughout the European Union, the Commission in spring 2005 initiated the "**European Transparency Initiative**".

The initiative is a package of many activities ranging from fuller information about the use of EU money to better consultation, from professional ethics in the European Institutions to the framework in which the lobbyists operate. Alongside concrete steps and proposals, we launched a wide-scale public consultation that took place in summer 2006. The results of these consultations are currently being analysed and will lead to respective further steps.

Let me emphasise two areas of ongoing work in the framework of the initiative.

- In order to increase financial accountability, the European Transparency Initiative proposes to **publish the identity of beneficiaries of EU funds** both by the Institutions and the Member States.

I am very satisfied with the progress achieved in this area so far. This October, the Commission launched two new web-pages on its EUROPA site that contain information on end-beneficiaries of "centrally-managed" funds, in other words on grants and public contracts awarded directly by the Commission. This step is a major improvement in improving access to information that was already publicly available but scattered in several places, in some cases in the Official Journal, in some cases on Commission websites.

Steps forward have also been made regarding the obligation of Member States to publish the information on beneficiaries of funds under shared management (Common Agricultural Policy and the Structural and Cohesion Funds). So far there was no obligation for the Member States to make this information public. Some did it on their own initiative, the majority, however, did not. The Commission made proposals to change that in the financial regulation for the EU budget. Discussions are still ongoing with a decisive concertation between the European Parliament and the Council taking place today.

As a practical step, earlier this month the Commission published a web-site with a list of links to Member State web-sites containing information on end-beneficiaries of payments under the Common Agricultural Policy. The web-site currently contains links to 11 Member States and the list is updated as more countries give access to this information.

- The second major wing of the European Transparency Initiative aims at **increasing transparency of lobby activities** towards the EU Institutions, as you may have heard during this morning's workshop on lobbying. We welcome the information provided through lobbying as such, but as lobbyists can have considerable influence on legislation, citizens have the right to know who they are, what they stand for, how they are financed and what their relationship with the Institutions looks like. Currently this is not the case.

Against this background, with the help of ideas stemming from the public consultation we are looking for ways to improve the situation. The biggest discussions evolve around the central issues of a registration system for interest groups, covering professional lobbyists, NGOs, think-tanks etc; and secondly, creating and enforcing a common code of conduct for the sector.

Today I can say that there has been good progress on the Transparency Initiative.

But in addition, there remains work to be done to improve the **exchange of information and transparency between administrations**:

- Steps are ongoing towards improving the exchange of information about unreliable economic operators, including the notifications on court proceedings, but there is a lot of resistance. I believe we must continue to work on a system to establish, consult and feed black-lists or databases of excluded operators, at least among our European Member States. We cannot pay out money to one company from one pocket and withhold it from another because the administrations handing out EU money have different information about the trustworthiness of the company.

- Looking specifically at the need to have hard facts, better availability and comparability of data on fraud and corruption is essential. Corruption includes bribery, favouritism and nepotism, misappropriation of public goods and illegal party or election campaign funding. Different Member States have different definitions and legislation in place and today, there is not enough empirical information available on the real extent of criminal corruption in Europe or how the European Institutions compare with other administrations or international bodies.

Secondly, we need to strengthen our work on personal integrity. I would like to make two points here:

- Not everything can be entirely regulated by rules and guidelines. Common sense demands some flexibility regarding the acceptance of gifts or avoiding conflict of interests. (The example of the fish). Therefore, I would like to advance on developing a common ethical culture for holders of posts in the EU Institutions. A list of shared ethical principles to refer to is lacking at the moment. Inside the Commission we have started working on this. Last summer we held an "Ethics Day" where EU officials had a lively discussion on realistic case studies. Now it is time to pursue, to look at our current practice and to try to agree a list of common values.
- To take the last point further, I would also welcome the launch of an inter-institutional dialogue on a "common European ethical space". At the moment there is a variety of codes of conduct or rules of declaration of financial interests which govern standards in public life in all European Institutions. Very high standards are set for example for the Commissioners, e.g. there are very strict rules for Commissioners regarding declarations of financial interests, whereas some Members of the European Parliament do not fill one out in the first place. I do not aim at harmonising the standards, as each Institution has its own characteristics, but I think the Institutions should assure comparable levels of ethical standards in order to make the European Union more credible in the eyes of the citizens. And we cannot leave it to the press to judge individual cases. Some Member States for instance have parliamentary committees that look at cases and lay down guidelines on questions of ethics and integrity and the Commission has already in the past proposed to create an inter-institutional expert board.

In conclusion, transparency is both a necessity and a duty for the Commission in our efforts to increase trust in the European project. I would like to emphasise that whilst the consequences of transparency can be highly political, transparency itself is not a judgement. It is an instrument, empowering the public – the European citizen – to exercise their own judgement. As such, the Commission firmly believes that the EU's policies and Institutions will benefit from this scrutiny; not least because it helps in fighting real corruption as well as the suspicion of it.

Thank you for your attention.