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## COMMISSIONER CRETU: THE EU BUDGET IS 'VERY EMOTIONAL'

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The Multiannual Financial Framework (MFF) is very emotional. But this time it was much more than that because we have Brexit - which means we have lost the second-largest contributor - and new challenges, like migration, cross-border security, defence.

I think we did a great job in proposing a package for a modern, simpler, flexible cohesion policy that covers all regions.

We have managed to keep an envelope that is big enough to keep funding for poorer regions - more than 70 percent is going to poorer regions - and also for the rich ones. These are the policies that show the most tangible results in the life of citizens.

### **Given this new context, what did you try to keep as core programmes?**

I have visited most of the countries and regions. And the most important for me was to make cohesion policy much more flexible, because I'm always sad to see people, especially young people, who are giving up using our funds because of the complexity of the rules, bureaucracy and very long procedures.

We have now a single set of rules, and the new regulation has 50 percent less words than the previous one. We also reduced the number of priorities, to five priorities instead of eleven: 'smarter Europe', 'greener Europe', 'connected Europe', 'social Europe', and 'Europe closer to citizens'.

You cannot decide from Brussels and sometimes even from the capitals what is needed or not needed for the citizens and the localities.

Most of the regions have been funded for about 40 years, and others for only 14 years - or less. How would you compare their evolution, and their situation now?

This is, in a way, the irony of this policy.

The ERDF (the European Regional Development Fund) was founded under the pressure of the UK and Italy, when mines in Wales were closing. I don't know how many people who voted for Brexit in Wales knew that their parents or grandparents had a job in 1975, and after, due to EU funds and

reconstruction we made there.

Coming back to your question, I think there is a difference, because it is one thing to use these funds for 45 years, and another thing to use them for ten years.

In terms of administrative capacities, in terms of experience, and of course in regions that are using funds for a long time, they have finished these problems with infrastructure - like highways in Spain or in Portugal for instance. We have a lot of needs in eastern Europe.

In the rich regions, we invest mostly in innovation, and in research, which is very important. Of course, in eastern Europe they still have needs on basic waste treatment management, water management, infrastructure and, of course, job creations.

Does it make sense to continue to fund rich regions, when there is less money available overall for the budget?

It was very important to keep these policies for all regions, because I don't think that we need new divisions in the EU, we have enough of them. And we have to be flexible. Even in the richest regions we have pockets of poverty.

Rich regions could share their experience. I'm a big fan of the exchange of good practices. Sometimes in some countries they have money but they don't know what kind of projects to do. We have a peer-to-peer system, with people who work on the funds in all the countries, to help on administrative capacities, public procurement, or financial instruments. This exchange of good practices is very important - administrative capacity is more important than money.

How do you work with member states or regions to design projects when you give the money?

We decide the allocations member state by member state. We have partnership agreements, so we decide together where to invest, where money is the most needed.

Under the current programme, countries could change the priorities. I'm ready to change, because it's not possible to predict for the seven years. For instance, we change operational programme with Italy to allow them to buy two vessels you have seen saving thousands of people in the Mediterranean.

But for the next period there will be a mid-term assessment to see where to allocate the money for the last three years.

The lack of administrative capacities is a reason why money is not properly used. Cohesion funds are also affected by corruption. Do you have better tools to control that?

We have zero tolerance for fraud or corruption. For us, it is a challenge to find the right balance between simplification, which is required by all the stakeholders and beneficiaries, and control of taxpayers' money.

We can rely on audits of member states, but at the same time we have our own audit - via samples because we don't have the capacity to control every project - but we also have Olaf [the EU's anti-fraud office]. So I really think that EU money is the most controlled money.

In the last year, according to the Court of Auditors, we had four percent of errors, and only 0.5 percent with financial consequences.

When there is corruption we recuperate the money because there is a financial correction. When we identify fraud, member states are asked to reimburse the money. So it's not a loss of money. But, of course, there is this impression and we have to fight this.

What do you think of the discussions about 'conditionalities' for EU funds, and the fact that some member states feel that they are being punished or disadvantaged by the new MFF proposal?

It is the fourth time we use the Berlin method [a mix of criteria agreed by member states] since 2000. I think it's not fair to say that they are punished.

If you take Poland and Hungary, this allocation is a recognition of the development and of what they have achieved. Poland's growth was less than 25 percent of the EU average, and now it is 75 percent. They have less money because of the economic development, it's not a punishment.

At the same the same time there is a discussion on this link between the rule of law and EU budget, but it's not included in this package. It could be included in a regulation [that would have to be adopted by the European Parliament], the commission is working on how not to leave space for abuses.

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