

I believe that the way of improving accountability is at least threefold

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Interview with Dr Igors Ludboržs, leaving ECA Member

By Rosmarie Carotti



Dr Igors Ludboržs, leaving ECA Member

R. C.: You were responsible for one of the two ECA's Landscape Reviews, the one on the risks to the financial management of the EU budget. In the light of your responsibility for this landscape review, how could the ECA provide better assurance to the taxpayer that his money is well used?

Igors Ludboržs: I believe we can do it the traditional way through audits, either in the framework of the annual report with the corresponding statement of assurance or, more importantly, by producing special reports. The focus there is how the EU budget expenditure indeed brings added value. Not just added value but EU added value, because added value can be brought by the Member States themselves without any assistance of the EU. And by developing other products like the landscape review you just mentioned, we try to give a comprehensive picture of the exposure to risks from the point of view of the taxpayer.

R. C.: The Commission has changed the budget chapters. Is this change useful for the ECA auditors or rather a hurdle? Does this make it easier to evaluate EU added value?

Igors Ludboržs: There would be initial problems with the audit framework we used to have but some time ago we decided to prepare our chapters of the annual report according the MFF headings, so it does not make any difference for us and in the current programming period 2014-2020 the chapters basically will stay the same.

The advantage is that we can more easily match what has been foreseen in terms of allocation of resources and policy areas and what has been actually done. We have even been praised for this decision by our most critical stakeholder, the Council.

R. C.: While being ECA Member you have been nominated by the ECA to the Board of Auditors of the ESM (European Stability Mechanism) which is an intergovernmental instrument financed directly by the Member States. What is your role there? Will you keep this mandate?

Igors Ludboržs: The Board of Auditors audits how the ESM functions itself.

Concerning the appointment, one can draw parallels with the nomination of the ECA Members where the Member States nominate and the Council, after having heard the European Parliament, appoints. In the case of the ESM, it is the ECA which by the ESM Treaty and the by-laws nominates but it is the Board of Governors who makes the decision of appointment.

I have informed my colleagues in the ECA and the Board of Auditors of the ESM of my intention to finish my full mandate in the ESM. My mandate will end in December of this year.

R. C.: Who evaluates what happens with the money paid out by the ESM to Member States in need?

Igors Ludboržs: In former times it was the Troika and in current times it is the Quadriga. It is the Troika plus the ESM, that's to say the European Commission, the European Central Bank, the IMF and the ESM.

R. C.: The ECA has a relatively wide mandate for the ERM (European Resolution Mechanism). Why not for the ESM?

Igors Ludboržs: When the ESM was established, there was the idea that the ESM should be audited by the ECA. It was decided differently, as the ESM is not in the European Union framework but an intergovernmental body established on the basis of a treaty.

If the ESM is brought into the framework of the EU institutions, there might be a mandate for the ECA to audit the ESM.

R. C.: Would this also imply a revision of the EU Treaty?

Igors Ludboržs: This would not necessarily require a change in the EU Treaty but simply a change in the ESM Treaty. The ESM is a treaty of Member States which have a euro as a currency. The EU is much wider.

What might trigger a revision of the EU Treaty sooner or later are the events around Brexit. Regardless of the result, there is broad understanding that the EU will not be the same in future.

R. C.: The Commission has recommended that future instruments to govern EMU should be designed within the legal and institutional framework of the EU which provides amongst other things, for the European Parliament's scrutiny and control.

Igors Ludboržs: That's a wish of the Commission which involves Member States and to some extent the European Parliament. They are the decision-makers.

R. C.: There also are proposals to fund the EU budget with new own resources.

Igors Ludboržs: It is for the Member States to agree and decide upon this issue. In difficult times, countries try to keep their money and not to spend it, even if it is for an interesting EU project.

R. C.: Does private/public partnership, let's mention the Juncker plan and EFSI (European Fund for Strategic Investment), bring the expected results and leverage?

Igors Ludboržs: I have mixed feelings. It is undeniable that in monetary terms, in volume of money, it goes according to the Juncker plan. But one needs to understand that the risk with these projects is higher than with the usual EIB financing.

It will require time to see the value of these projects or if money was simply allocated to projects which would have been considered too risky by the EIB alone. That way the projects get the backing of

the EU budget. Higher risks normally mean higher returns and that remains to be seen.

Another interesting question is the added value of these projects. They might indeed be a big but in some Member States that the EU managed to build up infrastructure, like sea-ports and highways, which is not much in use, as pointed out in recent ECA special reports.

R. C.: What is accountability for you and how can it be improved in the EU?

Igors Ludboržs: For me accountability means the usual triangle of the elected representative of the people, usually parliament, the executive arm, the government or the Commission and, depending on the framework, the ECA or the SAI (Supreme Audit Institution).

One is accountable to the representative of the people for what has been done, who bases himself not only on the information coming from the executive arm but also on the critical views coming from the audit.

I believe that the way of improving accountability is at least threefold. First, there is the framework of the Contact Committee between the Presidents of the Supreme Audit Institutions and the ECA. Progress there is still not enough.

Secondly, one has to examine whether the existing arrangements are sufficient in the relationship between the Commission and the Member States. As pointed out in a briefing paper prepared by the ECA on the mid-term review of the MFF (Multiannual Financial Framework), the Commission should take ownership of the accreditation of the implementing bodies in the Member States. The ECA consistently identifies a lack of administrative capacity in several Member States.

Year by year, the ECA denounces in its annual report high error rates. If there is no administrative capacity, the Commission should not allocate money. Maybe we should think about a different management mode, which is not shared management but direct management by the Commission.

Third, there is need for increased interaction between the European Parliament and national

parliaments, as around 80% of the EU funds are managed by shared management.

R. C.: The ECA is also reaching out to the national parliaments, to the SAIs, and wants to improve communication. You, for example, fought for shorter deadlines for the ECA's special and annual reports.

Igors Ludboržs: That's why I said that the way of improving accountability is at least threefold. Yes, you can imagine that special reports be brought to the attention of the Member States especially when the ECA addresses Member States' authorities in its recommendations.

I tried to promote shorter deadlines. Last year we succeeded to achieve the deadline of 18 months and this year we take up the challenge to reduce it to 13 months.

R. C.: In the past, an auditor only looked at the past while today our look is also directed to the future. You wrote: "It is very difficult to assess the effectiveness of policies in terms of outcomes without taking into account the extent to which the weak policy results are influenced by policy design." What does this mean in the context of the recent ECA reform?

Igors Ludboržs: In this briefing paper which I have mentioned earlier concerning the mid-term review of the MFF 2014-2020 we try to go out from our usual habitat, not looking at the things *ex post* but being more pro-active. We come up with our recommendations based on our audit work and we suggest how to improve policies. We try to approach all three players in the EU context, the European Parliament, the Council and the Commission.

In my view, however, we have mixed results. The Commission claims to be an honest broker between the wishes of the European Parliament and the Council, to have more ways other than the MFF to pursue its goals and not to want major changes while preparing for another programming period and while Vice-president Georgieva is launching performance based budgeting and the revision of the financial regulation.

The Council is in principle positive but in the substance very cautious because of Brexit. The

most positive feed-back we got so far is from the European Parliament. In the view of some influential MEPs not only is a review necessary but as a result of this review, the revision of the MFF becomes necessary.