Christmas comes early for Brussels bureaucrats

Pay rises and bonuses to cost €100 million

Bruno Waterfield Brussels

Tens of thousands of Eurocrats are to receive an inflation-busting pay rise worth €100 million (£74 million), including a bumper Christmas bonus in backpay.

All 55,000 European Union officials will be feeling more than the usual festive cheer when a 2.4 per cent pay rise for the last six months of this year drops as a lump sum into their monthly wage packets in time for the Christmas break. Salaries will be boosted by a further 2.4 per cent over the course of next year.

The increase will give Jean-Claude Juncker, president of the European Commission, the equivalent of an extra £8,300 next year including nearly £2,800 this week. His basic salary will rise to £235,000, bumped up by a special residence allowance of £35,267 to compensate the former Luxembourg prime minister for having to live in Brussels.

Other European commissioners, such as Lord Hill of Oareford, Britain's representative on the Brussels executive, will get an extra £2,200 in their pay packets this month. Their basic pay will rise to more than £191,500, topped up with residence payments of £28,700.

The salary rises come after a 2½-year pay freeze and herald a return to automatic annual increases from 2017. Official figures show that from 2000-10 staffing levels in the main EU institutions grew by more than 60 per cent, leaving European bureaucracy bloated in contrast with national civil services, whose numbers have been thinned by austerity measures.

Nigel Farage, the leader of Ukip, asked why Mr Juncker and other officials should receive a pay rise at a time when Europe was facing a migration crisis and chaos on the EU's external border threatened the Schengen passport-free travel zone with collapse.

"This fat bonus will only encourage Juncker to fail again and fail bigger," he said. "With Schengen falling apart and the security threat now very real, we should ask why [he] is getting rewarded for failure."

More than 10,000 EU officials take home more than David Cameron and the gap is set to widen. The prime minister earns £81,350 after paying taxes, national insurance and pension contributions. These amount to 42 per cent of his gross salary of £142,500.

Reducing the EU's administrative bill is a key part of Mr Cameron's attempts to renegotiate Britain's relationship with Europe.

Included in the growing wage bill is an expatriation allowance, paid to more than 80 per cent of EU officials, which is worth an additional 16 per cent of their basic salary if they were recruited outside Brussels. The perk costs more than £221 million a year.

Over the coming decades, Britain's taxpayers face sharp increases in contributions to the Brussels budget because of a growing £42 billion requirement to fund the pensions of EU officials. The union's estimated total pension liabilities for last year rose by more than £8.6 billion compared with 2013, taking the total exposure for British taxpayers to £5 billion.

From 2000-10 the EU grew by 53 per cent, from 15 to 28 member states, but this was outstripped by a 62 per cent increase in the number of officials. Although other EU institutions have pledged to reduce staffing levels by 5 per cent over the next two years, the

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Christmas comes early for officials

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European parliament has continued to grow despite a reduction in the number of MEPs from 766 to 751 in EU elections last year.

MEPs will also benefit from the pay rise after voting — more than six to one — this year against greater public accountability over how they spend staff, office and travel allowances worth more than £221 million a year.

In an interview with *The Times*, Kristalina Georgieva, vice-president of the commission responsible for budgets, insisted that the pay rise was justified after EU leaders had halted an automatic wage-increase mechanism in the previous five years amid widespread eurozone austerity and a public backlash against Brussels spending. "It is not a very dramatic figure," she said.

The increase has been calculated using an index based on salary rises for senior civil servants in 11 EU countries — Belgium, Germany, Spain, France, Italy, Luxembourg, the Netherlands, Austria, Poland, Sweden and Britain — and is also linked to a basket of cost-of-living indicators in Belgium and Luxembourg.

"The pay rise is under an automatic formula that leaves no room for interpretation by the commission. We didn't ask for it. It is what has been calculated. I think is justified," Mrs Georgieva said. "Over this period we have increased the working week to 40 hours versus 37.5. That means people work more for the same salary."

She pledged, however, to push for greater transparency of Brussels finances.

One woman's mission to put the brakes on Brussels gravy train

War on bureaucracy aims to tackle opaque finances and powerful vested interests, writes **Bruno Waterfield**

The 55,000 Eurocrats looking forward to a generous two-year pay rise work for an organisation that made payments of €130 billion in a single year that were riddled with mistakes.

One woman has made it her mission to change the opaque and error-strewn way that Brussels does business and to revolutionise the scrutiny to which it can be held. She just needs a bit of help from members of the public.

Kristalina Georgieva, the European Commission's vice-president responsible for the budget and human resources, is aiming to make the EU's arcane finances as open as other international institutions such as the World Bank.

The public will be able to scrutinise how individuals, companies and projects spend more than €110 billion of European Union money under plans to bring greater transparency to finances in Brussels.

Ms Georgieva hopes that openness will help to reverse years of "adverse opinions" by the European Court of Auditors on the "legality and regularity" of EU spending, by empowering millions of members of the public to become watchdogs.

The Bulgarian, who was born in Stalinist Sofia 52 years ago, is also getting ready to take on the vested interests of the EU bureaucracy with plans for the radical reorganisation in 2017 of generous pension schemes and cushy jobs for life.

Following a review of EU budgets, Ms Georgieva plans to take on the commission's powerful trade unions with a shift away from jobs for life and 70 per cent of final salary pensions to what she describes as "flexible contracts", bringing big savings.

Behind the glass facade of her 12th floor office in the commission's Berlaymont headquarters, Ms Georgieva talks about shining the light of public scrutiny on to the EU's complicated and often controversial budget.

Recalling her 25 years at the World Bank, she is determined to bring into the open those who benefit from EU funding scattered across tens of thousands of farms, agricultural businesses, construction projects and other regional policy projects across Europe.

Information that is either hidden, difficult to find or buried in national administrative websites will be brought together in one simple online tool, working via an interactive map, to reveal all about where and to whom the cash is paid.

"I very strongly believe that transparency is the taxpayer's best friend," she said. "The more we put out simple and accessible information about what we fund with EU taxpayer money the more pressure there will be for its best possible use and the more we can deliver to the public."

Her aim is to equip MPs, councillors, investigative journalists and members of the public with the information they need to hold to account local authorities, educational establishments or construction consortiums that spend more than €66 billion a year in EU funds.

So far 691 EU projects are online and by the end of decade she hopes to bring together all of the commission's databases to provide a service that, she hopes, will "bring taxpayer pressure" to bear on accountability. "One of the big advantages of doing something like this is you force everyone to learn how to concentrate on results and you use the money wisely," she said.

The plan could prove revolutionary in countries such as Spain, Italy and Poland, where large EU-funded road-building or regional airport projects have been dogged with controversy, ranging from corruption to motorways or runways going unused.

An audit last year found that more than £100 million of EU funding to build airports since 2000 had been wasted and that £165 million was poor value for money, with unused terminals and runways being built in Greece, Spain, Italy, Poland and Estonia.

"We are doing a lot to pressure member states to disclose information so local people can easily see what is being done and who is doing it," Ms Georgieva said.

In its report, which was released last month, the court of auditors found that €133.6 billion of EU budget payments last year were "affected by material error", usually due to forms being filled out incorrectly.

The move is part of her drive to persuade auditors and the public to focus on the end results of projects, noting that EU audits can find a road to have been built within the accounting rules even if it is functionally useless. "You can build a road that is 100 per cent compliant but it goes nowhere," she said. "The drive is to focus on results and define priorities. I am a big fan of using corrective measures because people need to respect the rules."

On taking on the trade unions, she said: "The commission has been a little slow on the uptake. Other international organisations have moved with pension reform a little faster."

Her mission will be to cut the EU's growing pension liabilities, which are expected to top €60 billion in the coming years.

"The most important instrument of reform is to shrink the number of people for whom you have a commitment to pay a pension," Ms Georgieva said. "We will have a core of civil servants and then a flexible workforce. There will be more developments."

Asked if she is ready to take on the vested interest of the Brussels bureaucracy, Mrs Georgieva smiles: "Dream on, I tell them".