



To:
Ursula von der Leyen
President of the European Commission

Valdis Dombrovskis
Executive Vice-President for An Economy that Works for the People

Brussels, 30 March 2021

Dear President von der Leyen,
Dear Executive Vice-President Dombrovskis,

We would like to raise our concerns regarding the recent revelations made by EURACTIV on the resources dedicated by the Commission to external consultancy firms, especially the ‘Big Four’ (PwC, KPMG, Deloitte, EY)¹. These contracts, which grew exponentially over the past years through the Commission’s Structural Reform Support Programme in particular, raise potential issues of conflict of interests.

This programme offers technical assistance to Member States to design structural reforms and therefore provides the hired consultancy firms with a say in sensitive areas of public policy, such as the justice system, labour market, police, healthcare or social services. According to EURACTIV’s estimates based on the EU’s Financial Transparency System and other official documents, the Commission spent more than €462 million between 2016 and 2019 in contracts with PwC, KPMG, Deloitte and EY alone. In 2019 alone, these firms participated in a total of 91 reforms, which represents one-third of the total amount dedicated to the programme that year, while two years earlier, only 2% of the funds went to private contractors. Their invoicing further increased in 2020 and it may keep on growing with the introduction of the programme’s successor, the Technical Support Instrument.

Moreover, many of these contracts go beyond mere research and benchmarking consultancy services to the Commission or the beneficiary entity in the Member State. Indeed, according to EURACTIV’s findings, reports generally conclude with policy recommendations and consultancy firms often take a more direct involvement in the setting up of reforms. For instance, EY was involved in the restructuring of the Estonian hospital sector, the French Treasury and labour market policies in Italy while PwC has worked on a supervisory framework for complex investment firms in Ireland.

Yet, these firms often have clients in some of the policy areas for which they provide council to the Commission or the beneficiary in Member States. For example, PwC has been involved in the development, setting up and assessment of the Belgian national tax control framework as part of the co-operative tax compliance reform. But it is also public knowledge that PwC and the three other consultancy giants took an active part in the elaboration of practices helping more than 340 multinationals to circumvent tax legislation, as revealed by the Luxleaks scandal. PwC also delivered training and a guidebook for Belgium’s ‘excess profit’ tax scheme, a scheme considered by the Commission as an illegal State aid for which it launched an infringement procedure against Belgium.

¹ <https://www.euractiv.com/section/economy-jobs/news/exclusive-commissions-ballooning-bill-with-consultancy-firms-revealed/>

Moreover, since MEP Damien Carême and other signatories raised concerns in a letter addressed to the Commission about its contract with BlackRock, the European Ombudsman Emily O'Reilly recommended the Commission to update its guidelines for public procurement procedures for policy-related service contracts². Besides, 84 MEPs from 6 different political groups signed a written question asking the Commission to reassess its decision to award a contract to BlackRock, to work on sustainable finance criteria, and to revise its guidelines to avoid possible conflict of interests³. And on the 11th of January 2021, President von der Leyen replied to MEP Carême's letter that the Commission would examine and respond to the suggestions made by the Ombudsman⁴.

Considering all the above, we consider that the Commission must take strong actions to avoid the risk of undue influence by private consultancy firms on its decisions and on the design of structural reforms in sensitive areas of public policy. Therefore:

1. We request that the Commission provides an explanation as to why the proportion of external private contracts has surged so much in the recent years compared to in-house expertise and contracts with experts hired from international organisations, academia and NGOs.
2. We ask the Commission to provide us with the total amounts it has spent on the externalisation of studies (impact assessments, policy recommendations, interim reports, review of literature, etc.) to private consultancy firms, during the years 2016-2020, with all DGs included. It is of utmost importance for the European Parliament, as the EU's responsible budgetary authority, to be well informed of these figures.
3. We demand that, based on these figures, the Commission assesses whether resorting more and more to external private consulting is both relevant and economically sound compared to the option of hiring personnel to do similar tasks internally. We consider that having recourse to the latter to a greater extent would avoid regulatory capture as well as risks of conflicts of interests.
4. We ask the Commission to provide a detailed account of the measures it has taken or intends to take in order to follow the Ombudsman's recommendations to have a rigorous vetting process to avoid conflicts of interest. In its revision of public procurement procedures, we encourage the Commission to add the following practices and criteria to existing selection criteria: publishing the names of all candidates in a tender procedure; giving reasons for the award of points for each criterion; excluding any actor whose clients are involved in projects which clash with the interests of the invitation to tender; excluding offers where the price differs radically from those of competitors. We also demand that all (draft) reports from any future successful tender be made publicly available to allow MEPs, civil society organisations and other stakeholders to view and comment on them before they are finalised, as promised by President von der Leyen in the specific case of the BlackRock's contract mentioned above.

We thank you for your consideration,

Sincerely Yours,

² <https://www.ombudsman.europa.eu/en/press-release/en/135414>

³ https://www.europarl.europa.eu/doceo/document/P-9-2020-002369_EN.html

⁴ <https://www.damiencareme.fr/images/dc/a-chaud/2021/MAJ13-01/lettre-blackrock- psdte.pdf>

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5. Pascal Durand (Renew)
6. Marisa Matias (GUE/NGL)
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